

ColArt Fine Art & Graphics Limited

**Directors' report and financial
statements**

Registered number 016193

31 December 2015



Company Information

Directors	P Woodward J Madath G Pasquier
Company Number	016193
Registered Office	The Studio Building 21 Evesham Street London W11 4AJ
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Business Address	The Studio Building 21 Evesham Street London W11 4AJ

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Strategic report

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

The company's profit for the financial year is £125,000 (2014: profit of £1,800,000). No dividend was paid during the year (2014: £28,200,000). The directors do not recommend payment of a final dividend (2014: £nil).

Trading

During 2015 the company operated fully as a distributor within the ColArt group of companies of which ColArt Fine Art & Graphics is a key member. The principal activities are not expected to change in the foreseeable future. During the period the company recognised a £0.2m loss on deferred consideration relating to the sale of property in the prior year.

Principal Risks

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risk affecting the Company relates to the provision and maintenance of high service levels to its external customers. The Company mitigates this risk through the continued focus on delivering excellent customer service and timely deliveries.

The Company has no foreign currency exposure and is not subject to interest rate cash flow or price risk.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk.

The Company retains sufficient cash to ensure it has available funds for operations and planned capital investments. The Company also has access to longer term funding from its ultimate parent undertaking.

Key performance indicators

The company is monitored on a monthly basis specifically with regard to actual performance to budget and forecast. The review is focused on the company's three headline numbers being turnover, gross profit and net profit.

Employees

The Company is committed to equal opportunities for all its employees and aims to ensure that the workplace is free from discrimination. Recruitment, selection and career development are based on competence and job requirements, irrespective of sex, sexual preference, religion or disability. The Company encourages employee participation and consultation at all levels and shares relevant business information. This approach facilitates the evolution of new ideas and practices that add value to the business, promotes team member commitment and helps focus Company and employee expectations.

By order of the board



James Madath
Director

The Studio Building
21 Evesham Street
London
W11 4AJ

21 October 2016

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31st December 2015.

Principal activities

The principal activity of the company is the distribution of art and craft materials.

Directors

The directors who held office during the year and subsequently up to the date of this report were as follows

Paul Woodward	
James Madath	
D Lee	(resigned 25 February 2016)
S Birdi	(resigned 22 January 2015)
R Evans	(resigned 19 May 2015)
C Thieme	(resigned 19 June 2015)
Gail Pasquier	(appointed 26 April 2016)

Employees

The company's employment policies are based on equal opportunity for all staff. The selection and advancement of staff is based on ability and suitability for the relevant job and the subsequent training development, promotion and assessment of staff performance are based on competence and not gender, ethnic origin or disability. In the event of an employee becoming disabled while in employment, every effort will be made by the company to find continuing and suitable work, including the offer of retraining. Staff are kept fully informed of the company's progress both at a company level and at group level through in-house publications, routine briefings and consultations with recognised trade unions. These routine meetings also provide a forum for discussions and consultations on health, safety and welfare matters, which are accompanied by training and codes of working practices designed to protect the health and safety of employees.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



James Madath
Director

The Studio Building
21 Evesham Street
London
W11 4AJ

21 October 2016

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of ColArt Fine Art & Graphics Limited

We have audited the financial statements of ColArt Fine Art & Graphics Limited for the year ended 31 December 2015 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

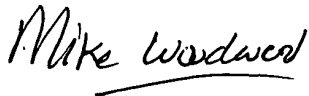
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of ColArt Fine Art & Graphics Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

24 October 2016

Profit and loss account
for the year ended 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	21,701	20,365
Cost of sales		(16,078)	(15,571)
Gross profit		5,623	4,794
Distribution costs		(2,873)	(3,949)
Administrative expenses		(1,715)	(1,581)
Other operating income		104	1,793
Operating profit		1,139	1,057
(Loss)/profit on disposal of tangible fixed assets	3	(223)	885
Interest payable and similar charges	6	(394)	(306)
Other finance income	7	-	252
Impairment of fixed asset investments	8	(335)	-
Profit on ordinary activities before taxation		187	1,888
Tax on profit on ordinary activities	9	(62)	(88)
Profit for the financial year		125	1,800

The above results relate entirely to continuing activities. The notes on page 9 to 24 form an integral part of the financial statements.

Other Comprehensive Income

	<i>Note</i>	2015 £000	2014 £000
Profit for the financial year		125	1,800
Actuarial gain/(loss) recognised in the pension scheme		1,824	616
Amortisation of PFP contribution		(715)	(715)
Deferred tax arising on loss actuarial loss	10	(464)	(106)
Total Comprehensive Income for the year		770	1,595

Balance sheet


for the year ended at 31 December 2015

	Note	2015	2014
		£'000	Restated £'000
Fixed Assets			
Tangible assets	12	470	927
Investments	13	5,826	6,161
		<u>6,296</u>	<u>7,088</u>
Current Assets			
Stock	14	78	2,823
Debtors (including £26,762,000 (2014: £27,813,000) due after more than one year)	15	33,680	46,894
Cash		12,046	186
		<u>45,804</u>	<u>49,903</u>
Creditors: Amounts falling due within one year	16	(4,264)	(14,982)
Net Current Assets		<u>19,042</u>	<u>22,090</u>
Total Assets less Current Liabilities		<u>47,836</u>	<u>42,009</u>
Creditors: Amounts falling due after one year	17	(7,203)	-
Total Assets excluding pension liability		<u>40,633</u>	<u>42,009</u>
Pension (liability)		(4,938)	(7,084)
Net assets including pension liability		<u>35,695</u>	<u>34,925</u>
Capital and Reserves			
Called up Share capital	18	1,464	1,464
Profit and loss account		34,231	33,461
Total Equity Shareholders' Funds		<u>35,695</u>	<u>34,925</u>

These financial statements were approved by the board of directors on behalf by:

J Madath

Director



Company registered number: 016193

21 October 2016 and were signed on its

Statement of changes in Equity
for the year ended 31 December 2015

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Share Capital	1,464	-	1,464
Profit & Loss	-	60,066	60,066
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2014	1,464	60,066	61,530
Total comprehensive income for the year			
Profit or loss	-	1,800	1,800
Other comprehensive income for the year	-	(205)	(205)
Dividends Paid	-	(28,200)	(28,200)
Total comprehensive income for the year	-	(26,605)	(26,605)
 Balance at 31 December 2014	 1,464	 33,461	 34,925
Balance at 1 January 2015	1,464	33,461	34,925
 Total comprehensive income for the year			
Profit or loss	-	125	125
Other comprehensive income for the year	-	645	645
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	1,464	34,231	35,695
	<hr/>	<hr/>	<hr/>

Notes To The Accounts (Year ending 31 December 2015) *(forming part of the financial statements)*

1 Accounting policies

Colart Fine Art and Graphics Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements were prepared in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework ("IFRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but make amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The company has made no measurement and recognition adjustments.

The Company's ultimate parent undertaking is Lindéngruppen AB, a company incorporated and registered in Sweden. Lindéngruppen AB prepares consolidated accounts which include the Company.

The consolidated financial statements of Lindéngruppen AB are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Bruksgården, SE-268-83, Höganas, Sweden.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures

- Cash Flow Statement and related notes;
- Disclosure in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosure in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the company;
- Related party transactions between two or more members of the same group.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2015 have had a material effect on the financial statements.

Notes (*continued*)

1 Accounting policies (*continued*)

Measurement Convention

The financial statements are prepared on the historical cost basis.

Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate as the company has net assets and net current assets and can settle liabilities as they fall due. The directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover represents the net amount invoiced to external customers and affiliated companies during the year, exclusive of VAT and other sales related taxes. Royalties (in other operating income) are recognised as they are earned.

Foreign currency translation

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised. Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes (continued)

1 Accounting policies (continued)

Investments

Investments are shown at cost less any provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. The cost of fixed assets less estimated residual value is written off on a straight line basis over the period of the expected useful life of the asset. For this purpose, expected lives are as follows:

Product plant and equipment, and office equipment	between five and ten years
Leasehold buildings	not more than fifty years

Operating Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expenses.

Pension arrangements – ColArt Pension scheme

The company participates in the ColArt Pension Scheme which has both a Defined Benefit and a Defined Contribution section. The Defined Benefit section of the Scheme was closed to new entrants and the Defined Contribution Section was introduced for new entrants joining from 1st August 2002. Following consultation during 2007 the Defined Benefit section of the scheme was changed to a CARE (Career Average Revalued Earnings) scheme for future accruals after 1 April 2007. The scheme's assets are held in a separate trustee administered pension fund.

The last tri-annual actuarial valuation was carried out as at 31 March 2012 (signed on 21 May 2013). The actuarial valuation has been updated to 31 December 2015 by qualified independent actuaries using revised assumptions that are consistent with IAS19R.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2 Turnover

Turnover arose solely from the principal activity of the business.

Notes (continued)

3 Expenses and auditor's remuneration

Profit on ordinary activities before taxation is stated after charging (crediting) the following:

	2015 £000	2014 £000
Depreciation	251	265
Auditor's remuneration	11	25
Operating leases		
- hire of equipment	34	54
- other	29	110
Loss/(profit) on disposal of tangible fixed assets	223	(885)
	<u>223</u>	<u>(885)</u>

4 Staff numbers and costs

The average monthly number of employees (excluding executive directors) was:

	Number of employees	
	2015	2014
Sales and administration	63	74
	<u>63</u>	<u>74</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	1,804	1,824
Social security costs	305	271
Other pension costs	111	92
	<u>2,220</u>	<u>2,187</u>
	<u>2,220</u>	<u>2,187</u>

Notes (continued)

5 Directors' emoluments

	2015 £000	2014 £000
The remuneration paid to directors of the company directly by the company was:		
Emoluments	214	394
Company contributions to money purchase pension schemes	17	11
	<hr/>	<hr/>
	231	405
	<hr/>	<hr/>

Pensions

The number of directors who were members of the ColArt pension scheme is as follows

	2015 Number	2014 Number
Defined benefit schemes	2	4
	<hr/>	<hr/>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2015 £000	2014 £000
Emoluments	123	77
Company contributions to money purchase pension schemes	9	7
	<hr/>	<hr/>
	132	84
	<hr/>	<hr/>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was:	-	4
	<hr/>	<hr/>

Notes (continued)

6 Interest payable and similar charges

	2015	2014
	£000	£000
Interest payable on amounts owed to group undertakings	150	306
Net interest on net defined benefit plan liability	244	-
	<hr/>	<hr/>
	394	306
	<hr/>	<hr/>

7 Other interest receivable and similar income

	2015	2014
	£000	£000
Net interest on net defined benefit plan liability	-	(252)
	<hr/>	<hr/>
	-	(252)
	<hr/>	<hr/>

8 Impairment of fixed asset investments

	2015	2014
	£000	£000
Impairment of fixed asset investments	335	-
	<hr/>	<hr/>
	335	-
	<hr/>	<hr/>

Notes (continued)

9 Taxation

	2015 £'000	2014 £'000
Analysis of charge in the year		
UK Corporation tax		
Current tax on profits for the year	-	(223)
Adjustments in respect of previous periods	190	108
Total current tax charge	190	(115)
Deferred taxation (see Note 10)		
Reversal of timing differences	46	348
Reduction in tax rate	142	(24)
Adjustments in respect of previous periods	(316)	(121)
Total deferred tax	(128)	203
Tax on profit on ordinary activities	62	88

Factors affecting the tax (credit)/charge for the year

The differences are explained below.

	2015 £000	2014 £000
Current tax reconciliation		
Profit on ordinary activities after tax	125	1,800
Total tax expense	62	88
Profit before taxation	187	1,888
Tax using the UK corporation tax rate of 20.25% (2014: 21.49%)	38	406
Reduction in tax rate on deferred tax balances	142	(24)
Non-deductible expenses	67	56
Non-taxable Income	(1)	(195)
Under / (over) provided in prior years	(126)	(13)
Total tax expense	62	88

The tax assessed on the profit on ordinary activities for the year is the same as the lower rate of corporation tax in the UK of 20% (2014: 20%). These were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

Notes (continued)

10 Deferred tax

	2015 £000	2014 £000
Net deferred tax asset at beginning of year	2,517	2,420
Movement on deferred tax on pension deficit recognised in OCI	(464)	(106)
Charge to the profit and loss account in the year	128	203
Deferred tax asset	<u>2,181</u>	<u>2,517</u>

11 Dividends

	2015 £000	2014 £000
Interim dividend paid during the year	-	20,200

12 Tangible assets

	Leasehold Buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2015	27	12,244	12,271
Disposals	-	206	-
At 31 December 2015	<u>27</u>	<u>12,038</u>	<u>12,065</u>
Depreciation			
At 1 January 2015	25	11,319	11,344
Charge for year	-	251	251
At 31 December 2015	<u>25</u>	<u>11,570</u>	<u>11,595</u>
Net book value			
At 31 December 2015	<u>2</u>	<u>468</u>	<u>470</u>
At 31 December 2014	2	925	927

Notes (continued)

13 Fixed Asset Investments

	2015
	£000
Cost	
At 1 January and 31 December 2015	6,424
Provisions	
At 1 January 2015	(263)
Impairment losses	(335)
At 31 December 2015	(598)
	<hr/>
At 31 December 2015	5,826
At 31 December 2014	6,161

The company held the following interests at 31 December 2015.

	Country of incorporation	Interest	Percentage Held	Nature of Business
Crown Artist Brush	England	Ordinary share	100%	Brush Manufacture
Colart Hong Kong	Hong Kong	Ordinary share	100%	Selling and Distribution
Colart Tianjin Art Materials Company Limited	China	Registered Capital	90%	Colour Manufacture
Bonny Colart Company Limited	Japan	Registered Capital	50%	Packing and distribution of artists materials
Jinhua Universal Canvas Manufacturing Company Limited	China	Registered Capital	60%	Canvas manufacture
Colart Camlin Canvas Private Limited	India	Ordinary share	60%	Canvas manufacture
Snazaroo Holdings Limited	England	Ordinary share	100%	Face Paint Manufacture

14 Stock

	2015	2014
	£000	£000
Raw materials and consumables	-	9
Finished goods	78	2,814
	<hr/> 78	<hr/> 2,823

15 Debtors: amounts falling due within one year

	2015	2014
	£000	£000
Trade debtors	3,562	3,713
Amounts owed by group undertakings	14,636	26,601
Other debtors	431	478
PFP Contribution	12,870	13,585
Deferred tax asset	2,181	2,517
	<hr/> 33,680	<hr/> 46,894

Deferred tax of £2,181,000 (2014: £2,517,000), a portion of the PFP contribution of £12,155,000 (2014: £12,870,000) and amounts owed by group of £12,426,000 (2014: 12,426,000) are considered to be debtor amounts in excess of one year.

Notes (continued)

16 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	53	180
Amounts owed to group undertakings	1,824	12,368
Taxation and social security	280	366
Accruals and deferred income	550	747
Amounts owed to group undertakings in respect of group relief	1,557	1,321
	<u>4,264</u>	<u>14,982</u>

17 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to group undertakings	7,203	-

ColArt International Holdings Limited is dependent for its working capital on a facility provided by Lindéngruppen AB. The intercompany loan attracts interest of LIBOR +1.25% to be adjusted quarterly.

18 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
5,856,000 ordinary shares of 25p each	1,464	1,464

Notes (continued)

19 Employee Benefits

This is a defined benefit scheme operated by ColArt group of companies under which contributions were paid by members and the group into a fund. This fund is separate from the Group's finances and is administered by Trustees. The Group pays a monthly contribution of £100,000 towards the elimination of the deficit on the fund from 16 May 2013.

A full actuarial valuation was carried out on 31 March 2012 (signed on 21 May 2013) by a qualified independent actuary and was updated to 31 December 2015.

The information disclosed below is the allocated share of cost under an agreed group policy throughout the periods shown.

	2015 £000	2014 £000
Total defined benefit asset	56,212	54,583
Total defined benefit liability	(61,150)	(61,668)
Total employee benefits	(4,938)	(7,085)

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(61,668)	(53,924)	54,583	45,485	(7,085)	(8,435)
Included in profit or loss*						
Interest (cost)/income	(2,187)	(2,505)	1,943	2,755	(244)	252
Included in OCI*						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic Assumptions	178	-	-	-	178	-
- Change in financial assumptions	379	(6,260)	-	6,886	379	626
- Experience adjustment	366	-	-	-	366	-
Return on plan assets excluding interest income	-	-	901	-	901	-
	923	(6,260)	901	6,886	1,824	626
Other						
Contributions paid by the employer	-	-	567	562	567	562
Transfers	-	(537)	-	453	-	(84)
Benefits paid	1,782	1,558	(1,782)	(1,558)	-	-
Balance at 31 December	(61,150)	(61,668)	56,212	54,583	(4,938)	(7,085)

Notes (continued)

19 Employee benefits (continued)

Plan assets

	2015	2014
	£000	£000
Cash and cash equivalents	1,076	307
Equity instruments	12,133	10,064
Illiquids (Real Estate, Infrastructure, Debt)	3,897	2,643
Hedge Funds	8,574	9,625
Return Seeking Bonds	3,867	3,853
Liability Matching Assets	25,062	24,267
Other components	1,603	3,824
Total	56,212	54,583

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2015	2014
Discount rate at 31 December	3.7%	3.6%
Future salary increases	3.3%	3.2%
CPI	2.3%	2.2%
RPI	3.3%	3.2%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.3 years (male), 23.3 years (female).
- Future retiree upon reaching 65: 23 years (male), 25.2 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2015	2015
	£000	£000
Discount rate +0.5% / -0.5%	5,252	5,952
Future salary increases +0.5% / -0.5%	447	442
Inflation (RPI, CPI) +0.5% / -0.5%	3,720	3,972

Notes (continued)

19 Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2015, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2015 would have increased by £5,991,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2012 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The Group pays a monthly contribution of £129,000 towards the elimination of the deficit on the fund from 16 May 2013.

Subsequent to the year end on the 9th June a revised schedule of contributions was agreed with the trustees. The group monthly contributions have decreased to £100,000 per month.

20 Operating lease commitments

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £000	2014 £000
Within one year	92	92
In the second to fifth years inclusive	117	134
Total	<u>209</u>	<u>226</u>

Notes (continued)

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Colart Contract Manufacturing Limited, which is the ultimate parent company, which is incorporated in Great Britain and registered in England and Wales.

The ultimate holding company is Lindengruppen AB, a company incorporated and registered in Sweden. The parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up is Lindengruppen AB, a company incorporated and registered in Sweden.

Copies of the consolidated financial statements of Lindegruppen AB can be obtained from Bruksgården, SE-268 83, Höganas, Sweden.

22 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st December 2015. The comparative information presented in these financial statements for the year ended 31st December 2014 and in the preparation of an opening FRS 101 balance sheet at 1st January 2015.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes (continued)

22 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of equity

		31 December 2014		
	Note	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000
Fixed assets				
Tangible fixed assets		927	-	927
Investments		6,161	-	6,161
		<u>7,088</u>	<u>-</u>	<u>7,088</u>
Current assets				
Stocks		2,823	-	2,823
Trade debtors	a	18,366	13,585	31,951
Other debtors		12,426	-	12,426
Deferred tax asset		1,099	1418	2,517
Cash at bank and in hand		186	-	186
		<u>34,900</u>	<u>15,718</u>	<u>48,485</u>
Creditors: amounts due within one year				
Obligations under finance leases				
Trade creditors		(14,982)	-	(14,982)
		<u>19,918</u>	<u>15,718</u>	<u>33,503</u>
Net current assets				
		<u>19,918</u>	<u>15,718</u>	<u>33,503</u>
Total assets less Current Liabilities		<u>27,006</u>	<u>15,718</u>	<u>40,591</u>
Provisions for liabilities				
Pension asset / (liability)	a	8,634	(15,718)	(7,084)
		<u>35,640</u>	<u>-</u>	<u>35,640</u>
Net assets				
		<u>35,640</u>	<u>-</u>	<u>35,640</u>
Capital and reserves				
Called up share capital		1,464	-	1,464
Profit and loss account		34,176	-	34,176
		<u>35,640</u>	<u>-</u>	<u>35,640</u>
Shareholders' equity		<u>35,640</u>	<u>-</u>	<u>35,640</u>

Notes (continued)

22 Explanation of transition to FRS 101 from old UK GAAP (continued)

a) Under previous UK GAAP the PFP contribution was classified as a plan asset and included within the pension deficit. Under FRS101, the PFP contribution is classified as a prepayment. As a prepayment, this is amortised to other comprehensive income resulting in a £715k charge per annum. In the comparative financial statements, when the PFP contribution was classified as a plan asset, there was a surplus of £8,634k in the pension scheme. On reclassification of the PFP contribution to prepayments, the pension liability is in deficit.

Reconciliation of profit/(loss) for the year ended 31 December 2014

	Note	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000
Turnover		20,365	-	20,365
Cost of sales		(15,571)	-	(15,571)
Gross profit		4,794	-	4,794
Distribution costs		(3,949)	-	(3,949)
Administrative expenses		(1,581)	-	(1,581)
Other operating income		1,793	-	1,793
Operating profit		1,057	-	1,057
Profit on disposal of tangible fixed assets				
		885	-	885
Other interest receivable and similar income		251	-	251
Interest payable and similar charges		(305)	-	(305)
Profit on ordinary activities before taxation		1,888	-	1,888
Tax on profit on ordinary activities		(88)	-	(88)
Profit for the year		1,800	-	1,800
Other comprehensive income		510	(715)	(205)
Total Comprehensive income for the year		2,310	(715)	1,595

Notes to the reconciliation of profit

a) Under previous UK GAAP the PFP contribution was classified as a plan asset and included within the pension deficit. Under FRS101, the PFP contribution is classified as a prepayment. As a prepayment, this is amortised to other comprehensive income resulting in a £715k charge per annum. In the comparative financial statements, when the PFP contribution was classified as a plan asset, there was a surplus of £8,634k in the pension scheme. On reclassification of the PFP contribution to prepayments, the pension liability is in deficit.