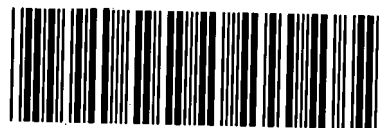


# Calder Industrial Materials Limited

Annual Report and Financial Statements  
2016

Company registration number: 028073

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## **DIRECTORS AND ADVISORS**

### **Directors**

Maurice Bailey  
Richard Benjamin Travers  
Martin Henderson  
Gregory Mark Andrews

### **Company Secretary**

Martin Henderson

### **Registered office**

Jupiter Drive  
Chester West Employment Park  
Chester  
Cheshire  
CH1 4EX

### **Bankers and financial providers**

Wells Fargo Capital Finance  
4<sup>th</sup> Floor  
90 Long Acre  
London  
WC2E 9RA

Royal Bank of Scotland plc  
Corporate Banking London  
Ninth Floor  
280 Bishopsgate  
London  
EC2M 4RB

### **Solicitors**

DLA Piper UK LLP  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4DL

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
8 Princes Parade  
St Nicholas Place  
Liverpool  
L3 1QJ

## **STRATEGIC REPORT**

The Directors present their Strategic Report for the year ended 31 May 2016. The Company's registered number is 028073.

### **Principal activities**

The principal activities of the Company are the production of lead sheet, the distribution of metal roofing products and the manufacture of specialised lead products for a wide range of industrial applications.

### **Strategy**

The strategy of the Company remains to consolidate its position in its key markets for lead sheet and to develop its lead engineering, both organically and by acquisition, in growth sectors of the global economy.

### **Review of the year and future developments**

The result for the year has been affected by difficult UK trading conditions and a tough global economic picture with operating profit significantly reduced.

In our Building Products division, we experienced a small decrease in volumes through 2015/2016, together with a reduction in selling margin due to aggressive market conditions. The business is well placed and ready to embrace any recovery in this sector, in terms of volume growth and a return to normal market conditions.

In our Engineering Products division, as a result of the impact of political uncertainty and hence UK government spending being delayed, a number of major projects that we enjoyed in 2014/15 did not repeat in 2015/16. The Company is hopeful that UK government spending will start to filter through once more and hence a significant upturn in the Engineering Products division could be achieved in 2016/17.

The valuation of the deficit of the defined benefit pension scheme has fallen from £5.0m to £4.7m mainly on the back of a change in the assumptions regarding the companies' obligations. The valuation of the defined benefit pension scheme is net of deferred tax. The Company's policy is to fund the deficit over a ten year period. The pension scheme is closed to new entrants and future accrual.

### **Key Performance Indicators (KPIs)**

The Board uses various KPIs to monitor and benchmark the effectiveness of the Company's performance and position. The main KPI being EBITDA / Sales. For the year ended 31<sup>st</sup> May 2016 this ratio was 2.15% (2015: 6.83%).

## **STRATEGIC REPORT**

### **Principle risks and uncertainties**

Set out below are what the Board consider to be the main risks affecting the Company together with their mitigation.

<b><i>Risk</i></b>	<b><i>Mitigation</i></b>
<b><i>Economic risk</i></b> The Company could be susceptible to adverse changes in economic conditions and employment levels, impacting our profitability and cash flows.	The Company constantly reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure.
<b><i>Competitive risk</i></b> The Company operate in a competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	The Company aim to minimise this by continuing to focus on its own strengths such as customer value, service delivery and innovation.
<b><i>Price risk</i></b> The Company is exposed to commodity price risk in its day to day operations.	The Company uses various price matching and hedging techniques/instruments to manage risk. We have a hedging policy based on well-established methodologies. The policy is reviewed and endorsed by the Board.
<b><i>Currency risk</i></b> The Company has transactional currency exposures arising from sales and purchases in currencies other than the functional currency.	Under the Company's foreign exchange policy, where practicable, transaction exposures are hedged, mainly through natural hedging of sales and purchase transactions.
<b><i>Interest rate risk</i></b> The Company finances its operations through a mixture of retained profits and borrowing facilities, including a senior loan, a Revolver credit facility, hire purchase and finance leases. All are subject to interest rate changes.	Interest rate risk on hire purchase and finance leases is managed by fixing interest at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Overall, the Board considers this risk to be minimal.
<b><i>Credit risk</i></b> The Company is exposed to credit-related losses in the event of default by counterparties.	Credit risk is mitigated by the Company's policy of only selecting counterparties with a strong long-term credit rating and assigning financial limits to individual counterparties. The amounts presented in the balance sheet are net of provisions for doubtful debts. An impairment provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.
<b><i>Liquidity risk</i></b> The Company may not have enough funds to finance its operations and future plans.	The Company maintains committed facilities that are designed to ensure sufficient funding for operations and planned expansions. Appropriate facilities are in place until at least August 2017 under the current arrangements.
<b><i>Health and safety risk</i></b> The Company main operations are in a manufacturing environment, which carries a degree of risk to employees and others who are on site.	Health and safety is one of the Company's operational priorities. It is an agenda item in weekly management meetings. The Company is focussed on protecting the wellbeing of employees and visitors to site with the implementation of policies, procedures and standards to ensure compliance with legal obligations and industry standards. Also to ensure business continuity and to protect the Company's reputation.

## STRATEGIC REPORT

### Principle risks and uncertainties (continued)

<i><b>Risk</b></i>	<i><b>Mitigation</b></i>
<i><b>Pension scheme deficit risk</b></i> Asset valuations are based on the fair value of the assets. The valuation of the liabilities of the schemes is based on statistical and actuarial calculations, using various assumptions including discount rates, pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could adversely impact the assets or liabilities recognised in the balance sheet in future periods.	The Company has taken action to reduce the quantum of liabilities through various initiatives, including: offering pension increase exchanges for certain pension benefits in payment; and offering enhanced transfer values to certain categories of members. Furthermore, the scheme is closed to new members.  Asset allocations are reviewed on a periodic basis and changes are made to match more appropriately assets against the remaining scheme liabilities and to reduce risk to a more acceptable level.

On behalf of the Board



Martin Henderson  
Director  
23 February 2017

## **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of the Company together with the audited financial statements for the year ended 31 May 2016.

### **Principal activities and business overview**

The principal activities, business overview and future prospects of the Company are set out within the Strategic Report on pages 4 to 6.

### **Results and dividends**

The results of the Company for the financial year are set out in the Income Statement on page 12.

During the year, the Company paid no dividends (2015: £450,000). The 2015 non-cash dividend was settled via the intercompany account.

### **Directors**

The Directors, who served during the year, and up to the date of signing of the financial statements, were as follows:

- Maurice Bailey
- Richard Benjamin Travers
- Martin Henderson
- Gregory Mark Andrews
- Paul Walters (resigned 24 June 2015)

None of the Directors have any material interests in contracts of the Company.

### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee consultation**

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and team briefings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### **Political donations**

The Company did not make any political donations (2015: £nil) or incur any political expenditure during the year (2015: £nil).

## **DIRECTORS' REPORT**

### **Going concern**

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and therefore have adopted the going concern basis for preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of Significant Accounting Policies in the financial statements.

### **Financial risk management**

Details are set out in the Strategic Report on pages 4 to 6.

### **Statement on disclosure of information to auditors**

Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed in the Annual board Meeting.

On behalf of the Board



Martin Henderson  
Director  
23 February 2017

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Strategic Report, 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 the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 accounting estimates that are reasonable and prudent ;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



Martin Henderson  
Director  
23 February 2017

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALDER INDUSTRIAL MATERIALS LIMITED**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Calder Industrial Materials Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 May 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 May 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash flows for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Significant Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **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.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, 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.

We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALDER INDUSTRIAL MATERIALS LIMITED**  
**(continued)**

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the Directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

**What an audit of financial statements involves**

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jonathan Studholme (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Liverpool  
23 February 2017

## **INCOME STATEMENT**

For the year ended 31 May 2016

	Note	2016 £000	2015 £000
Revenue	1	36,305	42,794
Cost of sales		(31,130)	(35,653)
<b>Gross Profit</b>		<b>5,175</b>	<b>7,141</b>
Administrative expenses		(4,946)	(4,749)
<b>Operating profit</b>		<b>229</b>	<b>2,392</b>
Financial income	3	634	1,374
Financial costs	4	(1,547)	(1,658)
<b>(Loss)/Profit before taxation</b>	2	<b>(684)</b>	<b>2,108</b>
Tax	6	(175)	(742)
<b>(Loss)/Profit for the year attributable to equity holders</b>		<b>(859)</b>	<b>1,366</b>

All profits and losses relate to continuing operations.

The notes on pages 23 to 37 are an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 May 2016

	Note	2016 £000	2015 £000
<b>(Loss)/Profit for the year</b>		<b>(859)</b>	<b>1,366</b>
<b>Other comprehensive income/(expense):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial loss on pension scheme	19	(43)	(1,400)
Tax on actuarial loss		8	280
<b>Other comprehensive (expense) for the year</b>		<b>(35)</b>	<b>(1,120)</b>
<b>Total comprehensive (expense)/income for the year attributable to equity holders of the Company</b>		<b>(894)</b>	<b>246</b>

The notes on pages 23 to 37 are an integral part of these financial statements.

**BALANCE SHEET**

As at 31 May 2016

	Note	2016 £000	2015 £000
<b>Assets</b>			
Property, plant and equipment	8	2,654	3,027
Investments	9	857	857
Deferred income tax asset	16	1,010	1,177
<b>Total non-current assets</b>		<b>4,521</b>	<b>5,061</b>
Inventories	10	3,247	4,305
Trade and other receivables	11	20,185	18,832
Cash and cash equivalents	12	55	51
<b>Total Current Assets</b>		<b>23,487</b>	<b>23,188</b>
<b>Total Assets</b>		<b>28,008</b>	<b>28,249</b>
<b>Liabilities</b>			
Trade and other payables	13	(5,408)	(5,207)
Borrowings	14	(4,803)	(3,576)
Current income tax liabilities		(548)	(548)
<b>Total Current Liabilities</b>		<b>(10,759)</b>	<b>(9,331)</b>
Borrowings	14	(420)	(649)
Retirement benefit obligations	20	(5,682)	(6,228)
<b>Total non-current liabilities</b>		<b>(6,102)</b>	<b>(6,877)</b>
<b>Total Liabilities</b>		<b>(16,861)</b>	<b>(16,208)</b>
<b>Net assets</b>		<b>11,147</b>	<b>12,041</b>
<i>Attributable to the Company's Shareholders</i>			
Share capital	17	8,000	8,000
Retained earnings		3,147	4,041
<b>Total Equity</b>		<b>11,147</b>	<b>12,041</b>

The notes on pages 23 to 37 are an integral part of these financial statements.

The financial statements on pages 12 to 37 were approved by the Board of Directors on 23 February 2017 and signed on its behalf by:



Maurice Bailey  
Director

**STATEMENT OF CASH FLOWS**

Year ended 31 May 2016

	2016 £000	2015 £000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year	(684)	2,108
Adjustments for:		
Net financial costs	913	-
Depreciation	552	531
Decrease/(Increase) in inventories	1,058	(1,522)
Increase in trade and other receivables	(1,353)	(1,654)
Increase in trade and other payables	201	1,041
Interest paid	(349)	(342)
Pension deficit repair payment	(802)	(775)
Income taxes received/(paid)	-	20
<b>Net cash used in operating activities</b>	<b>(464)</b>	<b>(593)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(179)	(482)
<b>Net cash used in investing activities</b>	<b>(179)</b>	<b>(482)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	868	1,306
Repayment of borrowings	(221)	(337)
<b>Net cash generated by financing activities</b>	<b>647</b>	<b>969</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4</b>	<b>(106)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>51</b>	<b>157</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>55</b>	<b>51</b>

The notes on pages 23 to 37 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 May 2016

	Share capital £000	Retained earnings £000	Total Equity £000
<b>Balance at 1 June 2014</b>	<b>8,000</b>	<b>4,245</b>	<b>12,245</b>
Profit for the year	-	1,366	1,366
Other comprehensive expense for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial loss on pension scheme	-	(1,400)	(1,400)
Tax on actuarial loss	-	280	280
<b>Total comprehensive income for the year</b>		<b>246</b>	<b>246</b>
Dividends paid	-	(450)	(450)
<b>Transactions with Shareholders recognised directly to equity</b>	-	<b>(450)</b>	<b>(450)</b>
<b>Balance at 31 May 2015</b>	<b>8,000</b>	<b>4,041</b>	<b>12,041</b>
<b>Balance at 1 June 2015</b>	<b>8,000</b>	<b>4,041</b>	<b>12,041</b>
Loss for the year	-	(859)	(859)
Other comprehensive expense for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial loss on pension scheme	-	(43)	(43)
Tax on actuarial loss	-	8	8
<b>Total comprehensive expense for the year</b>	-	<b>(894)</b>	<b>(894)</b>
Dividend paid	-	-	-
<b>Transactions with Shareholders recognised directly to equity</b>	-	-	-
<b>Balance at 31 May 2016</b>	<b>8,000</b>	<b>3,147</b>	<b>11,147</b>

The notes on pages 23 to 37 are an integral part of these financial statements.

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **Background**

Calder Industrial Materials Limited is a company limited by shares, incorporated and domiciled in the United Kingdom.

Its registered office is: Jupiter Drive, Chester West Employment Park, Chester, Cheshire, CH1 4EX with a registered number of 28073.

### **Basis of preparation**

The principal accounting policies for the Company applied in the preparation of this financial report are set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using IFRS.

The financial statements of the Calder Industrial Materials Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies set out below have been applied consistently to all periods presented in this report.

### **Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 4 to 6.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. Despite the reduction in profitability of its operating subsidiaries, the Company's ultimate parent and ultimate controlling party, Calder Group Holdings Limited continues to generate positive EBITDA and has maintained a level of funding headroom in excess of €3m throughout the period. It has not breached any of its bank covenants and nor has it at any time failed to meet its liabilities as they have fallen due. The Group has committed funding facilities in place to August 2017 and the Directors are confident of being able to extend this facility on favourable terms. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors consider therefore that the Group has adequate resources in the short term and will successfully conclude a refinancing exercise, which they expect to result in sufficient resource being available to remain in operation for the foreseeable future. They have, therefore, adopted the going concern basis for preparation of the financial statements.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the end of the period of the transaction is included as an exchange gain or loss in the income statement.

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue recognition**

Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Company's activities, and is stated exclusive of VAT and similar taxes, but inclusive of discounts and rebates. Revenue is recognised when goods are despatched or when services are provided. The Company recognises monies received from customers as at the balance sheet date, relating to goods and services to be provided in future periods, as deferred income which forms part of trade and other receivables. Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

### **Dividends**

Dividends to holders of equity instruments declared after the balance sheet date are not recognised as a liability as at the balance sheet date. Final dividend distributions to the Company's Shareholders are recognised in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and provision for impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

- Leasehold improvements - over the term of the lease
- Plant and machinery - 3 – 16 years

No depreciation is charged on assets under construction. Residual value is calculated on prices prevailing at the date of acquisition.

### **Investments**

Fixed asset investments are shown at cost less provision for impairment in value following a review of the carrying value of each investment at the balance sheet date.

### **Cash and cash equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand.

Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **Inventories**

Inventories are stated at the lower of cost on a first in first out basis and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the Income Statement.

### **Trade and other payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are non-interest bearing.

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified on the Balance Sheet as either current or non-current liabilities, dependent upon the maturity date of the loan.

### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **Leases**

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance costs are allocated to accounting years over the life of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance costs and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

Hire purchase transactions are dealt with similarly, except that the assets are depreciated over their expected useful lives. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

### **Taxation**

#### **Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **Employee benefits**

The Company operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Current and past service costs are recognised immediately in the Income Statement. Interest cost on plan liabilities and interest income on plan assets are recognised in net finance costs. Curtailment gains arising from amendments to the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits, or will only qualify for reduced benefits, are recognised in the Income Statement. Re-measurement gains and losses arising from experience adjustments and changes in actuarial and demographic assumptions are charged or credited to the Statement of Comprehensive Income in the period in which they arise. For defined contribution plans, contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **Derivative financial instruments and hedging**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends upon whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as fair value hedges. Changes in the fair value are recognised in the Income Statement. The Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective.

Certain derivative items do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in their fair value are recognised immediately in the Income Statement.

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **Derivative financial instruments and hedging (continued)**

Financial instruments that are measured at fair value are disclosed in the financial statements in accordance with the following fair value measurement hierarchy:

- (1) Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices), or indirectly (that is, derived from prices) (level 2)
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

### **Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimates are used in the following areas:

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Retirement benefit obligations**

The Company sponsors the plan which is a funded defined benefit arrangement. Asset valuations are based on the fair value of the assets. The valuations of the liabilities of the schemes are based on statistical and actuarial calculations, using various assumptions including discount rates, future inflation rates and pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future periods.

## **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **Critical accounting estimates and assumptions (continued)**

#### **Interpretations and amendments to published standards effective for the year ended 31 May 2016**

##### **New and amended standards adopted by the Company:**

- IFRS 13, 'Fair value measurement'

The adoption of these accounting standards did not have a material impact on the Company's financial statements.

##### **Standards amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

The following standards and amendments to existing standards have been published and are mandatory for the Company's financial periods beginning on or after 1 June 2016 or later periods, but the Company has not early adopted them:

- Amendment to IAS 16, 'Property, plant and equipment' on depreciation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27, 'Separate financial statements' on the equity method (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative (effective for annual periods beginning on or after 1 January 2016);
- IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017);
- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018);
- Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).

## NOTES TO THE FINANCIAL STATEMENTS

### (1) Revenue

	Year ended 31 May 2016				Year ended 31 May 2015			
	United Kingdom	Other EU countries	Rest of World	Total	United Kingdom	Other EU countries	Rest of World	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Goods	32,331	1,001	2,973	<b>36,305</b>	39,837	1,671	1,286	<b>42,794</b>
<b>Revenue by destination</b>	<b>32,331</b>	<b>1,001</b>	<b>2,973</b>	<b>36,305</b>	<b>39,837</b>	<b>1,671</b>	<b>1,286</b>	<b>42,794</b>

### (2) (Loss)/Profit before taxation

Is stated after charging:

	2016 £000	2015 £000
Depreciation		
- Owned	346	342
- Leased	206	189
Operating lease rentals	498	518
Audit Fees	30	27

### (3) Financial income

	2016 £000	2015 £000
Bank interest receivable	-	17
Foreign exchange arising on funding balances	-	306
Interest income on the pension schemes	634	1,051
	<b>634</b>	<b>1,374</b>

### (4) Financial costs

	2016 £000	2015 £000
Interest payable on bank loans, overdrafts and similar	303	301
Interest payable on finance leases and hire purchase contracts	46	41
Foreign exchange arising on funding balances	351	-
Interest charge on the pension schemes	847	1,316
	<b>1,547</b>	<b>1,658</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**(5) Directors and employees**

	2016	2015
	£000	£000
<b>Employee Costs</b>		
Wages and salaries	4,282	4,552
Social security costs	406	424
Other pension costs	202	206
<b>Staff costs</b>	<b>4,890</b>	<b>5,182</b>

	2016	2015
	Number	Number
Average number of people employed		
Production	102	116
Administrative and selling	33	41
<b>Average monthly number employed by the Company</b>	<b>135</b>	<b>157</b>

	2016	2015
	£000	£000
<b>Directors remuneration</b>		
Aggregate directors' emoluments	220	368
Aggregate pension contributions of the directors	44	49
	<b>264</b>	<b>417</b>
Emoluments of the highest paid director	132	181
Pension contributions of the highest paid director	36	31
	<b>168</b>	<b>212</b>

One of the directors is a member of a defined benefit pension scheme (closed to future accrual) (2015: two). The other director resigned part way through the period.

## NOTES TO THE FINANCIAL STATEMENTS

### (6) Tax

	2016 £000	2015 £000
Current tax charge		
- Current year	-	56
- Adjustments in respect of prior periods	(9)	608
<b>Current tax charge/(credit)</b>	<b>(9)</b>	<b>664</b>
Deferred tax charge		
- Origination and reversal of timing differences	(47)	(77)
- Movements on pension scheme (Note 16)	231	155
<b>Deferred tax charge</b>	<b>184</b>	<b>78</b>
<b>Total tax on ordinary activities before taxation</b>	<b>175</b>	<b>742</b>

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.83%).

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2016 £000	2015 £000
(Loss)/profit on ordinary activities before taxation	(684)	2,108
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 20.00% (2014: 20.83%)	(137)	439
Effects of:		
- Movements in short-term timing differences	-	95
- Adjustments in respect of prior periods (see below)	(9)	608
- Expenses not deductible	11	(188)
- Group loss surrender (relief)	80	(574)
- Tax rate changes	(1)	-
- Imputed interest	-	207
- Movements on pension scheme	231	155
<b>Total tax charge/(credit)</b>	<b>175</b>	<b>742</b>

Included within the above is an amount of (£9,000) (2015: £608,000) in respect of prior periods. This arose as the group loss relief allocated in the calculation of the tax provision for statutory financial statements purposes in the year ended 31 May 2015 and 2014 was different compared to the final allocation used in the tax return submission.

### **Tax Rate Changes**

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date, its effect is not included in these financial statements. The overall effect of that change if it had been applied to the deferred tax balance at the balance sheet date would not be material.

**NOTES TO THE FINANCIAL STATEMENTS**

**(7) Dividends**

	2016 £000	2015 £000
Equity – ordinary £Nil per share (2015: £0.056 per share)	-	450
	-	<b>450</b>

**(8) Property, plant and equipment**

	Leasehold Improvements £000	Plant and machinery and motor vehicles £000	Total £000
<b>Cost</b>			
At 1 June 2015	<b>904</b>	<b>8,641</b>	<b>9,545</b>
Additions	-	482	482
<b>At 31 May 2015</b>	<b>904</b>	<b>9,123</b>	<b>10,027</b>
Additions	-	179	179
Reclassification	26	(26)	-
<b>At 31 May 2016</b>	<b>930</b>	<b>9,276</b>	<b>10,206</b>
<b>Accumulated depreciation and impairment</b>			
At 1 June 2015	<b>549</b>	<b>5,920</b>	<b>6,469</b>
Charge	45	486	531
<b>At 31 May 2016</b>	<b>594</b>	<b>6,406</b>	<b>7,000</b>
Charge	47	505	552
Reclassification	21	(21)	-
<b>At 31 May 2016</b>	<b>662</b>	<b>6,890</b>	<b>7,552</b>
<b>Carrying amount</b>			
At 31 May 2014	355	2,721	3,076
At 31 May 2015	310	2,717	3,027
<b>At 31 May 2016</b>	<b>268</b>	<b>2,386</b>	<b>2,654</b>

The net book value of leased assets included within plant and machinery and motor vehicles is £1,081,000 (2015: £1,287,000).

## NOTES TO THE FINANCIAL STATEMENTS

### (9) Investments

	2016 £000	2015 £000
<b>Cost and net book value</b>		
At the beginning of the year	857	857
<b>At the end of the year</b>	<b>857</b>	<b>857</b>

The Company has shareholdings in the following subsidiary undertaking:

	Country of incorporation or registration	Principal Activity	Class of shares held	% Holding
FSLP Limited	England and Wales	Lead merchants	Ordinary	100

The subsidiary is wholly owned and being directly held.

The Directors believe that the carrying value of the investments is supported by the future cash flows of the business.

### (10) Inventories

	2016 £000	2015 £000
Raw materials and consumables	1,276	2,155
Work in progress	596	2,015
Finished goods and goods for resale	1,375	135
	<b>3,247</b>	<b>4,305</b>

There is no material difference between the balance sheet value of inventory and their replacement cost. The above Inventories are net of provisions which are summarised below:-

Provision	2016 £000	2015 £000
At the beginning of the year	75	90
Net movement	(54)	(15)
<b>At the end of the year</b>	<b>21</b>	<b>75</b>

The movement in the carrying value of inventory during the year is as follows:

	2016 £000	2015 £000
Opening inventory	4,305	2,783
Purchases in the year	25,957	30,046
Utilised/transferred to cost of sales	(27,069)	(28,539)
Provision movement included in cost of sales	54	15
<b>Closing inventory</b>	<b>3,247</b>	<b>4,305</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**(11) Trade and other receivables**

	2016 £000	2015 £000
Trade receivables (see below)	5,685	5,463
Amounts owed by Group companies	13,982	12,705
Other receivables	100	400
Prepayments and accrued income	418	264
	<b>20,185</b>	<b>18,832</b>
<b>Trade receivables – further information</b>	2016 £000	2015 £000
Less than three months	5,644	5,372
Over three months past due	159	286
Provision (see below)	(118)	(195)
	<b>5,685</b>	<b>5,463</b>

**Provision**

At the beginning of the year	(195)	(150)
Net movement	77	(45)
<b>At the end of the year</b>	<b>(118)</b>	<b>(195)</b>

Amounts owed by Group companies are unsecured and are to be repayable on demand with the exception of trading balances which are subject to trading terms of 30 days.

Trade receivables which are less than three months past due are not considered impaired. Trade receivables greater than three months past due are considered for recoverability and, where appropriate, a provision against bad debts is recognised. The Company's receivables from related parties are not considered past due or impaired.

The creation and release of a provision for impaired receivables have been included within administrative expenses within the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable detailed above.

**(12) Cash and cash equivalents**

	2016 £000	2015 £000
<b>Denominated in Sterling – Royal Bank of Scotland (Rating – A-2)</b>	55	51
	<b>55</b>	<b>51</b>

The fair value of cash and cash equivalents approximate to their carrying amount.

**(13) Trade and other payables**

	2016 £000	2015 £000
Trade payables	1,830	2,333
Amounts owed to Group companies	2,678	909
Other taxation and social security liabilities	621	504
Other payables	182	96
Accruals	97	1,365
	<b>5,408</b>	<b>5,207</b>

Amounts owed to Group companies are unsecured, interest free and are to be repayable on demand with the exception of trading balances which are subject to trading terms of 30 days.

The fair value of trade and other payables approximate to their carrying amount.

**NOTES TO THE FINANCIAL STATEMENTS**

**(14) Borrowings**

	2016 £000	2015 £000
<b>Non-current</b>		
Bank loans	72	55
Obligations under finance lease agreements	348	594
	<b>420</b>	<b>649</b>
<b>Current</b>		
Bank loans and overdraft	75	45
Revolver loans	4,481	3,208
Obligations under finance lease agreements	247	323
	<b>4,803</b>	<b>3,576</b>
<b>Total borrowings</b>	<b>5,223</b>	<b>4,225</b>

The bank loans and Revolver loans are secured by a fixed and floating charge over the unencumbered plant and equipment, inventories and receivables of the Company. Interest is charged at a margin of 2.75% over Libor until January 2016 when the rate was changed to 2.5% over Libor. (2015: 2.75% over Libor)

The maturity of borrowings (both current and non-current) is as follows:

	Bank loans and overdraft £000	Revolver loans £000	Finance lease obligations £000	Total £000
<b>Between:</b>				
Less than 1 year	45	3,208	323	3,576
1-2 years	45	-	247	292
2-5 years	10	-	347	357
<b>2015</b>	<b>100</b>	<b>3,208</b>	<b>917</b>	<b>4,225</b>
Less than 1 year	75	4,481	247	4,803
1-2 years	40	-	203	243
2-5 years	32	-	145	177
<b>2016</b>	<b>147</b>	<b>4,481</b>	<b>595</b>	<b>5,223</b>

## NOTES TO THE FINANCIAL STATEMENTS

### (15) Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year income statement information has been included where relevant.

Risk	Exposure	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Euros	Cashflow forecasting Sensitivity analysis	<b>Balance Sheet :</b> Forward foreign exchange contracts
Market risk – commodity prices	Closure of sales and purchase contracts	Contract status reviews	<b>Balance Sheet:</b> Regular reconciliation of contracts to commodity hedging
Credit risk	Cash and cash equivalents, trade receivables, lease commitments	Cashflow forecasting Credit control management	<b>Balance Sheet:</b> Credit limits, letters of credit
Market risk – interest rate	Borrowings at rates linked to Euribor and Libor	Sensitivity analysis	<b>Income Statement:</b> Fixed financing contracts Management of balances giving rise to interest charges
Liquidity risk	Borrowings and other liabilities Group performance	Rolling cash flows and bank covenant calculations	<b>Income Statement:</b> KPI tracking

The Company's risks and exposures are identified by the management team in conjunction with the Group Directors. The method of risk management is agreed by all and the Company's local management team is responsible for executing the policies approved to limit transactional risks for the individual company's balance sheet and income statement. The execution of this risk management is overseen by the Group finance team. The Company's borrowings are negotiated centrally with the group financiers and cashflow forecasts and covenants are tracked centrally for the group to ensure liquidity risk is avoided. Monitoring of KPIs for liquidity risk are outlined in the strategic report on page 5 and 6.

	Period ended 31 May 2016 £000	Year ended 31 May 2015 £000
<b>Balance Sheet Management</b>		
<b>Current Assets</b>		
Forward foreign exchange contracts	57	-
Commodity hedge contract	59	-
	<b>116</b>	-
<b>Current Liabilities</b>		
Forward foreign exchange contracts	-	(72)
Commodity hedge contracts	-	(61)
	-	<b>(133)</b>

	Period ended 31 May 2016 £000
<b>Income Statement Management</b>	
<b>Interest Rates – sensitivity to 1% change</b>	
EURIBOR	2
LIBOR	68
	<b>70</b>

## NOTES TO THE FINANCIAL STATEMENTS

### (16) Deferred income tax assets/(liabilities)

	Short term timing differences £000	Retirement benefit obligations £000	Total £000
<b>At 31 May 2015</b>	<b>(69)</b>	<b>1,246</b>	<b>1,177</b>
Credit/(charge) to income	47	(231)	(184)
Adjustments in respect of prior periods	9	-	9
To other income	-	8	8
<b>At 31 May 2016</b>	<b>(13)</b>	<b>1,023</b>	<b>1,010</b>

### (17) Share capital

	2016 £000	2015 £000
<b>Authorised</b>		
8,000,000 (2015: 8,000,000) ordinary shares of £1 each	<b>8,000</b>	8,000
<b>Allotted, called-up and fully paid</b>		
8,000,000 (2015: 8,000,000) ordinary shares of £1 each	<b>8,000</b>	8,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

### (18) Guarantees and other financial commitments

#### (a) Lease commitments

The Company leases certain land and buildings on short and long-term operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repair costs of these properties.

At 31 May 2016, the Company had total commitments under non-cancellable operating leases expiring as follows:

	2016		2015	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Due				
Within one year	391	114	391	90
1-2 Years	391	67	391	59
2-5 Years	1,127	170	1,152	4
After five years	1,891	-	2,256	-
	<b>3,800</b>	<b>351</b>	<b>4,190</b>	<b>153</b>

#### (b) Capital commitments

At the end of the financial year, the Company had capital commitments contracted for but not provided for of £nil (2015: £nil).

#### (c) Group guarantees

All Group companies have given guarantees in respect of the bank and other loans taken out by certain Group companies. At 31 May 2016 the total amount guaranteed for the asset based lending facility was £14.5m (2015: £11m).

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(19) Financial instruments**

IAS 32, Financial Instruments: Presentation, IAS 39, and Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures also require numerical disclosures in respect of financial assets and liabilities and these are set out below and in notes 11, 12 and 14. Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated due to their short term nature.

	2016 £000	2015 £000
<b>Financial assets</b>		
Cash - Royal Bank of Scotland (Rating A-3)	55	51
Trade receivables	5,685	5,463
	<b>5,740</b>	<b>5,514</b>
<b>Financial liabilities</b>		
Bank loans	147	100
Revolver loans	4,481	3,208
Trade payables	1,830	2,333
Finance leases	595	917
	<b>7,053</b>	<b>6,558</b>
<b>Forward hedging of lead commodities: contracts</b>		
Brought forward	2,709	2,092
Movement	(31)	617
Carried forward	<b>2,678</b>	<b>2,709</b>

## NOTES TO THE FINANCIAL STATEMENTS

### (20) Retirement benefit obligations

#### *Background information*

The Company provides various pension arrangements for employees. These are as follows:

- Defined benefit scheme
- A defined contribution scheme

#### *UK defined benefit scheme obligations, assets and assumptions:*

- (a) The most recent actuarial valuation was carried out as at 6 April 2016. The valuation has been updated by an independent qualified actuary for inclusion in these financial statements. The scheme is closed to new members and future accrual. Amounts included in the statement of financial position

	31 May 2016 £000	31 May 2015 £000
Fair value of plan assets	17,093	17,349
Present value of defined benefit obligation	(22,775)	(23,577)
Deficit in the scheme	(5,682)	(6,228)
<b>Deferred tax</b>	<b>1,023</b>	<b>1,246</b>
<b>Net liability to be recognised</b>	<b>(4,659)</b>	<b>(4,982)</b>

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

- (b) Reconciliation of the impact of the asset ceiling

The Company have reviewed implications of the guidance provided by IFRIC 14 and have concluded that it is not necessary to make any adjustments to the IAS figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 May 2016

- (c) Reconciliation of opening and closing present value of the defined benefit obligation

	Year ended 31 May 2016 £000	Year ended 31 May 2015 £000
Defined benefit obligation at start of year	23,577	21,107
Interest expense	847	1,316
Actuarial (gains) due to scheme experience	(425)	(155)
Actuarial (gains)/losses due to changes in demographic assumptions	(193)	1,515
Actuarial (gains)/losses due to changes in financial assumptions	(264)	474
Benefits paid	(767)	(680)
<b>Defined benefit obligation at end of year</b>	<b>22,775</b>	<b>23,577</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 20) Retirement benefit obligations (continued)

(d) Reconciliation of opening and closing values of the fair value of plan assets

	Year ended 31 May 2016 £000	Year ended 31 May 2015 £000
Fair value of plan assets at start of year	17,349	15,769
Interest income	634	1,051
Return on plan assets (excluding amounts included in interest income)	(925)	434
Employer contributions	802	775
Benefits paid	(767)	(680)
<b>Fair value of plan assets at end of year</b>	<b>17,093</b>	<b>17,349</b>

The actual return on the plan assets over the year ended 31 May 2016 was £291,000.

(e) Defined benefit costs recognised in profit or loss

	Year ended 31 May 2016 £000	Year ended 31 May 2015 £000
Service cost:		
Interest	213	221
<b>Defined benefit costs recognised in profit or loss</b>	<b>213</b>	<b>221</b>

(f) Defined benefit costs recognised in other comprehensive income

	Year ended 31 May 2016 £000	Year ended 31 May 2015 £000
Actual less expected return on plan assets (excluding amounts included in net interest cost) – (loss)Gain	(925)	434
Net experience losses arising on the defined benefit obligation – gain	425	155
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	193	(1,515)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	264	(474)
Total actuarial losses	(43)	(1,400)
<b>Total amount recognised in other comprehensive income – loss</b>	<b>(43)</b>	<b>(1,400)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 20) Retirement benefit obligations (continued)

#### (g) Assets

	31 May 2016 £000	31 May 2015 £000
UK Equities	6,049	6,391
Overseas Equities	5,430	5,459
Bonds	5,515	5,335
Other	99	164
<b>Total assets</b>	<b>17,093</b>	<b>17,349</b>

None of the fair values of the assets shown above include any direct investments in the Company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

It is the policy of the trustees and the Company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

There are no asset-liability matching strategies currently being used by the plan.

#### (h) Significant actuarial assumptions

	31 May 2016 % per annum	31 May 2015 % per annum
Discount Rate	3.50	3.65
Inflation (RPI)	2.85	3.15
Inflation (CPI)	1.75	2.05
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	1.75	1.90
Allowance for pension in payment increases of CPI or 3% pa if less	1.60	1.90
Allowance for pension in payment increases of RPI or 5% pa if less	2.70	3.00
Allowance for pension in payment increases of RPI or 2.5% pa if less	2.50	2.50
Allowance for commutation of pension for cash at retirement	80 of Post a Day max	80% of Post A Day max

## NOTES TO THE FINANCIAL STATEMENTS

### 20) Retirement benefit obligations (continued)

The mortality assumptions adopted at 31 May 2016 are 100% of the standard tables S1PxA, Year of Birth, no age rating for males and females, projected using CMI-2015 converging to 1.00% pa. These imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2016	21.8
Female retiring in 2016	24.1
Male retiring in 2036	23.1
Female retiring in 2036	25.6

(i) Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% pa	Increase by 4.0%
Rate of inflation	Increase of 0.25% pa	Increase by 3.6%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.4%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.0%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the year ended 31 May 2016 is 17 years (2015:17)

The plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact on the balance sheet position and may give rise to increased charges in future P&L accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Company to the scheme for the year commencing 1 June 2016 is £829,000.

#### **Defined Contribution Scheme**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 5 represents contributions payable by the Company to the fund.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(21) Related parties and controlling interests**

The Directors regard Calder Group Limited as the immediate parent company.

The ultimate UK parent company for the purposes of consolidation for the period ended 31 May 2016 is Calder Group Holdings Limited.

The Calder Group Holdings Limited financial statements are publicly available from its registered office, Jupiter Drive, Chester West Employment Park, Chester, Cheshire, United Kingdom, CH1 4EX.

The following transactions were carried out with related parties in the year:

	2016	2015
	£000	£000
Revenues from subsidiaries	1,580	1,488
Revenues from other group Companies	106	148
Purchases from subsidiaries	96	62
Purchases from Other group Companies	13,938	20,425
Amounts due from subsidiaries	182	59
Amounts due from parent companies	13,800	12,646
Amounts due to Other Group Companies	(2,678)	(909)

Amounts owed to or due from Group companies are interest free and unsecured, repayable on demand with the exception of trading balances which are subject to trading terms of 30 days.

### ***Key management compensation***

Key management comprises the Directors of the Company. Their compensation is set out in note 5.