

**A B GRAPHIC INTERNATIONAL LIMITED**

**Annual Report and Financial Statements**

**For the year ended 30 April 2017**



# **A B GRAPHIC INTERNATIONAL LIMITED**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>3</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Statement of comprehensive income</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>
<b>Detailed trading and profit and loss account</b>	<b>25</b>
<b>Schedule of expenses</b>	<b>26</b>

# **A B GRAPHIC INTERNATIONAL LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

M P Burton (Chairman)

C N Burton

T W H Bell

L J Lowde

D Lawson

### **COMPANY SECRETARY**

L J Lowde

### **REGISTERED OFFICE**

Celebration House

Stanley Street

Burton on Trent

Staffordshire

DE14 1DY

### **AUDITOR**

Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

LS1 2AL

# **A B GRAPHIC INTERNATIONAL LIMITED**

## **STRATEGIC REPORT**

The directors present their annual report on the affairs of the Company together with the audited financial statements and auditor's report for the year ended 30 April 2017.

### **Principal activities and review of the business**

The principal activity of the Company during the year has continued to be precision engineering and the design and manufacture of machines and materials, principally for the paper and converting trade. There have been no significant changes in the Company's principal activities in the year under review.

The directors are satisfied with the results for the year and believe the Company is well placed to support further developments and growth for the future.

The directors regard research and development as essential for continuing success in the medium to long term future.

### **Results and dividends**

The profit for the year, after taxation, amounted to £5,676,189 (2016: £3,117,641). Dividends of £8,000,000 (2016: £3,000,000) were paid during the year.

### **Key performance indicators**

A key performance indicator used by the company is the return on capital employed in terms of operating profit. The return for the current year is 47% compared with 21% in the prior year. The Statement of comprehensive income on page 8 of the financial statements shows a profit before tax of £6,137,291 (2016: £3,418,774).

The directors consider the number of employees to be a key non-financial key performance indicator with average staff numbers increasing in the year to 236 (2016: 234).

### **Principal risks and uncertainties**

Competitive pressure in the market is a continuing risk for the Company, which could result in losing sales to competitors, both in the UK and overseas. The Company manages this risk by forming and maintaining strong relationships with all customers, developing and offering value added services, which the Company feels it is uniquely experienced to provide with its extensive knowledge of the market. The Company also strives to continually to improve levels of service and technical expertise on offer to its customers.

The Company sells worldwide and also carries on its business in currencies other than sterling, primarily Euros and US Dollars. The Company is therefore exposed to the movement in rates of exchange against sterling. The Company manages this risk by operating bank accounts in both Euros and US Dollars in order to facilitate the payment to suppliers in the same currency as received from customers and therefore reducing the need to exchange currency via sterling. The Company also enters into foreign currency forward contracts in order to hedge exposure to foreign exchange risks for any anticipated surplus or deficit.

The Company continues to be cash generative from operations, has no external debt and the directors consider it to be in a strong position to operate through these uncertain economic times. See note 1 to the financial statements for more details of the directors' consideration of going concern.

### **Future developments**

The directors expect the general level of activity to increase in the forthcoming year. On 2 May 2017 the Company purchased the balance of 50% interest in AB Graphic Machinery (Espana) SA. The company's shares are now 100% owned by the Company. There are no other significant events since the balance sheet date.

Approved by the Board of Directors  
and signed on behalf of the Board



L J Lowde  
Company Secretary

19 December 2017

# **A B GRAPHIC INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the Company together with the audited financial statements and auditor's report for the year ended 30 April 2017. The disclosures required by S416(4) of the Companies Act relating to principal risk and uncertainties and future developments have been elevated to the Strategic report and form part of this report by cross reference.

### **Directors**

The current directors of the Company and those who served during the year and subsequently are:

M P Burton (Chairman)  
C N Burton  
T W H Bell  
L J Lowde  
D Lawson

During the year, Mr C N Burton, Mr M P Burton, Mr T W H Bell and Mr L J Lowde were also directors of the ultimate parent company, G.H.B. (Holding) Limited.

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

### **Cash flow risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

### **Credit risk**

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment 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.

### **Liquidity risk**

The Company continues to be cash generative from operations, has no external debt and the directors consider it to be in a strong position.

### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements in note 1.

# **A B GRAPHIC INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT (continued)**

### **Dividends**

Dividends paid during the year are detailed on note 8.

### **Employee consultation**

The Company's policy is to keep employees informed on matters relevant to them as employees through regular meetings and notices.

### **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemption in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemption and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 percent or more of the total allocated shares in the Company.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting to re-appoint Deloitte LLP as auditor of the Company.

Approved by the Board of Directors  
and signed on behalf of the Board



**L J Lowde**  
Company Secretary

19 December 2017

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A B GRAPHIC INTERNATIONAL LIMITED**

We have audited the financial statements of A B Graphic International Limited for the year ended 30 April 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, 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**

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 the 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. 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.

### **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 30 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A B GRAPHIC INTERNATIONAL 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.



**Matthew Hughes Bsc (Hons) ACA (Senior Statutory Auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

*5<sup>th</sup> January 2018*

# A B GRAPHIC INTERNATIONAL LIMITED

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 April 2017

	Note	2017 £	2016 £
<b>Turnover</b>	3	43,533,716	39,508,962
Cost of sales		(33,365,491)	(32,195,481)
<b>Gross profit</b>		10,168,225	7,313,481
Distribution costs		(1,092,473)	(1,114,478)
Administrative expenses		(3,065,392)	(2,884,210)
<b>Operating profit</b>		6,010,360	3,314,793
Finance costs (net)	7	4,735	15,783
Dividend receivable from associated undertakings		122,196	88,198
<b>Profit on ordinary activities before taxation</b>	4	6,137,291	3,418,774
Tax on profit on ordinary activities	9	(461,102)	(301,133)
<b>Profit for the financial year</b>		5,676,189	3,117,641
Remeasurement of net defined benefit pension scheme liability		(839,000)	(293,000)
Tax relating to components of other comprehensive income		139,561	52,740
<b>Other comprehensive income</b>		(699,439)	(240,260)
<b>Total comprehensive income</b>		4,976,750	2,877,381

All comprehensive income is from continuing operations.

The accompanying notes are an integral part of the Statement of comprehensive income.

# A B GRAPHIC INTERNATIONAL LIMITED

## BALANCE SHEET

As at 30 April 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	10	2,997,988	2,802,411
Investments	11	39,590	19,568
		<u>3,037,578</u>	<u>2,821,979</u>
<b>Current assets</b>			
Stocks	12	9,846,677	8,248,803
Debtors	13	5,682,845	6,214,878
Cash on deposit		2,399,877	2,382,647
Cash at bank and in hand		7,313,713	8,168,409
		<u>25,243,112</u>	<u>25,014,737</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(14,113,164)</u>	<u>(11,284,812)</u>
<b>Net current assets</b>		<u>11,129,948</u>	<u>13,729,925</u>
<b>Total assets less current liabilities</b>		<u>14,167,526</u>	<u>16,551,904</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Deferred taxation	15	-	(19,800)
Deferred government grants	16	<u>(65,300)</u>	<u>(112,628)</u>
<b>Net assets excluding pension liability</b>		<u>14,102,226</u>	<u>16,419,476</u>
<b>Pension liability</b>	20	<u>(1,401,000)</u>	<u>(695,000)</u>
<b>Net assets</b>		<u>12,701,226</u>	<u>15,724,476</u>
<b>Capital and reserves</b>			
Called up share capital	19	20,000	20,000
Share premium account		329	329
Profit and loss account		<u>12,680,897</u>	<u>15,704,147</u>
<b>Shareholders' funds</b>		<u>12,701,226</u>	<u>15,724,476</u>

The accompanying notes are an integral part of the Balance sheet.

The financial statements of A B Graphic International Limited, registered number 00538043, were approved by the Board of Directors and authorised for issue on 19 December 2017.

Signed on behalf of the Board of Directors

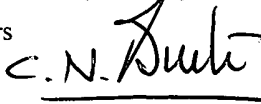
M P Burton

Chairman



C N Burton

Director



# A B GRAPHIC INTERNATIONAL LIMITED

## STATEMENT OF CHANGES IN EQUITY

As at 30 April 2017

	Called-up share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
<b>At 1 May 2015</b>	20,000	329	15,826,766	15,847,095
Profit for the financial year	-	-	3,117,641	3,117,641
Remeasurement of net defined benefit pension scheme liability	-	-	(293,000)	(293,000)
Tax relating to components of other comprehensive income	-	-	52,740	52,740
Total comprehensive income	-	-	2,877,381	2,877,381
Equity dividend paid (note 8)	-	-	(3,000,000)	(3,000,000)
<b>At 1 May 2016</b>	20,000	329	15,704,147	15,724,476
Profit for the financial year	-	-	5,676,189	5,676,189
Remeasurement of net defined benefit pension scheme liability	-	-	(839,000)	(839,000)
Tax relating to components of other comprehensive income	-	-	139,561	139,561
Total comprehensive income	-	-	4,976,750	4,976,750
Equity dividend paid (note 8)	-	-	(8,000,000)	(8,000,000)
<b>At 30 April 2017</b>	20,000	329	12,680,897	12,701,226

The accompanying notes are an integral part of the Statement of changes in equity.

## **A B GRAPHIC INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 April 2017**

#### **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

##### **General information and basis of accounting**

A B Graphic International Limited is a private company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of A B Graphic International Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

A B Graphic International Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements of G.H.B. (Holding) Limited. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report.

The Company has considerable cash resources and no external debt. It has a well diversified customer portfolio, and supply contracts with a number of suppliers across different geographical areas and industries.

As a consequence, the directors believe that the Company is well placed to manage its business risks successfully going forward.

After making enquiries and taking into account the uncertain economic outlook, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

##### **Turnover**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is wholly derived from the company's principal continuing activities. Turnover is recognised on dispatch of goods. Turnover from supply of services represents the value of the service provided under the contract to the extent that there is a right to consideration and is recorded at the value of the consideration due.

##### **Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 April 2017**

**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets**

Freehold land is stated at cost and is not depreciated.

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the assets over their estimated useful lives and has been applied on the following basis and rates during the year:

Freehold buildings (land not depreciated)	- 2% straight line
Plant and machinery	- 10 – 20% straight line
Fixtures, fittings and equipment	- 10 – 25% straight line
Motor vehicles	- 25 – 33% straight line

**Government grants**

Government grants in respect of capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to the profit and loss account over the life of the project to which they relate.

**Operating lease agreements**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**Stocks and work in progress**

Stocks and work in progress are valued at the lower of the cost and net realisable value.

Cost is calculated as follows:

Raw materials and consumables – actual purchase price.

Work in progress, finished goods and goods for resale – cost of direct materials and labour plus attributable overheads.

Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

**Investments**

Fixed asset investments are stated at cost less provision for impairment.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax, in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

All exchange differences are dealt with through the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 April 2017**

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**Pension costs**

Certain employees are members of a defined benefit pension scheme operated by G.H.B. (Holding) Limited, a related party undertaking. The scheme is closed to new members and future accrual.

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Employees are eligible to join a defined contribution pension scheme operated by G.H.B. (Holding) Limited. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Certain directors of the Company are members of a small self-administered defined contribution scheme operated by G.H.B. (Holding) Limited. Contributions are made by G.H.B. (Holding) Limited and relevant details are disclosed in that company's financial statements.

## A B GRAPHIC INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

#### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *Revenue recognition*

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 section 23 'Revenue' and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods on dispatch of the goods.

##### **Key sources of estimation uncertainty**

##### *Valuation of trade debtors and stock*

The valuation of the trade debtors and stock includes an estimation of the recoverable amount from customers. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis.

##### *Valuation of pension obligations*

Note 20 contains information about the principal actuarial assumptions used in the determination of deferred benefit pension obligations. These key assumptions include discount rates, the expected return on net assets, inflation and mortality rates and have been determined following advice received from an independent qualified actuary.

#### 3. TURNOVER

An analysis of turnover by geographical market is given below.

	2017 £	2016 £
United Kingdom	5,193,572	6,195,005
Other European countries	19,568,405	18,877,382
Other	18,771,739	14,436,575
	<u>43,533,716</u>	<u>39,508,962</u>



# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):	2017 £	2016 £
Depreciation of tangible fixed assets – owned assets	581,936	562,113
Research and development expenditure	1,517,744	1,444,281
Net foreign exchange gains	(249,567)	(181,832)
Release of government grants	(47,328)	(72,446)
Profit on disposal of fixed assets	(62,794)	(32,182)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	26,122	24,885
Total audit fees	<u>26,122</u>	<u>24,885</u>
Other services pursuant to legislation:		
Research and development tax reclaim	19,500	12,500
Tax compliance	8,000	11,700
Total non-audit fees	<u>27,500</u>	<u>24,200</u>

### 5. STAFF COSTS

The monthly average number of employees, including directors, was as follows:

	2017 No.	2016 No.
Production	185	183
Management, administration and sales	51	51
	<u>236</u>	<u>234</u>

The costs incurred in respect of these employees were:

	2017 £	2016 £
Wages and salaries	7,564,616	7,296,405
Social security costs	708,113	672,394
Other pension costs	395,191	428,721
	<u>8,667,920</u>	<u>8,397,520</u>

Other pension costs includes only those items included within operating costs. Items reported elsewhere have been excluded.

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 6. DIRECTORS

	2017 £	2016 £
<b>Remuneration of directors was as follows:</b>		
Emoluments	729,325	693,971
Compensation for loss of office	-	155,855
Pension contributions	13,200	58,269

Two (2016: two) of the directors are members of a self-administered defined contribution pension scheme. Contributions are made by the ultimate parent company, G.H.B. (Holding) Limited, and relevant details are disclosed in that company's financial statements.

The total emoluments of the highest paid director during the year were £396,771 (2016: £262,309).

	Number	Number
<b>The number of directors who:</b>		
Are members of a defined benefit pension scheme	3	4
Are members of a group personal pension scheme	3	4

### 7. FINANCE COST (NET)

	2017 £	2016 £
Interest receivable	25,735	29,783
Net interest on defined benefit pension liability (see note 20)	(21,000)	(14,000)
	<u>4,735</u>	<u>15,783</u>

### 8. DIVIDENDS ON EQUITY SHARES

	2017 £	2016 £
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 30 April 2017 of £400 (2016: £150) per ordinary share	<u>8,000,000</u>	<u>3,000,000</u>

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge based on the profit for the year comprises:	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
UK corporation tax on profits for the year	692,317	171,948
Adjustments in respect of previous years	(165,400)	(3,893)
Total current tax	<u>526,917</u>	<u>168,055</u>
UK deferred tax:		
Originating and reversal of timing differences	40,360	249,748
Effect of change in tax rates	-	(54,980)
Adjustments in respect of previous years	(106,175)	(61,690)
Total deferred tax (see note 15)	<u>(65,815)</u>	<u>133,078</u>
Tax on profit on ordinary activities	<u>461,102</u>	<u>301,133</u>

#### Factors affecting current tax charge

The average standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2016: 20%). The actual tax charge varies from the average standard rate due to the reasons set out in the following reconciliation:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Profit on ordinary activities before taxation</b>	<b>6,137,291</b>	<b>3,418,774</b>
Tax on profit on ordinary activities at average standard rate	1,222,548	683,755
<i>Factors affecting charge for the year</i>		
Research and development tax credits	(421,308)	(260,000)
Expenses not deductible for tax purposes	9,944	9,170
Tax rate change	(7,235)	(8,260)
Effects of group relief	(46,931)	(38,014)
Income not taxable	(24,341)	(19,935)
Prior year adjustments	(271,575)	(65,583)
Total tax charge	<u>461,102</u>	<u>301,133</u>

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017.

In addition to the change in rate of UK corporation tax identified above, a further reduction in the rate to 17% from 1 April 2020 was substantively enacted prior to the balance sheet date and has been applied to the Company's deferred tax balance at the balance sheet date.

The Company's future tax charge will be affected by the changes in the UK corporation tax rate.

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 May 2016	850,309	3,309,217	1,453,240	359,114	5,971,880
Additions	-	398,648	289,826	95,554	784,028
Disposals	-	(356,178)	(70,062)	(80,004)	(506,244)
At 30 April 2017	850,309	3,351,687	1,673,004	374,664	6,249,664
<b>Depreciation</b>					
At 1 May 2016	147,626	1,922,450	930,482	168,911	3,169,469
Provided during the year	15,456	279,673	187,976	98,831	581,936
Disposals	-	(355,507)	(70,062)	(74,160)	(499,729)
At 30 April 2017	163,082	1,846,616	1,048,396	193,582	3,251,676
<b>Net book value</b>					
At 30 April 2017	687,227	1,505,071	624,608	181,082	2,997,988
At 30 April 2016	702,683	1,386,767	522,758	190,203	2,802,411

The Company holds land with a net book value of £60,000 (2016: £60,000) which is not depreciated.

### 11. INVESTMENTS

	Shares in Group undertakings £	Interest in associated companies £	Total £
<b>Cost</b>			
At 1 May 2016	15,756	19,568	35,324
Additions	-	20,022	20,022
At 30 April 2017	15,756	39,590	55,346
<b>Amounts provided</b>			
At 1 May 2016 and 30 April 2017	15,756	-	15,756
<b>Net book value</b>			
At 30 April 2017	-	39,590	39,590
At 30 April 2016	-	19,568	19,568

The Company has investments in the following subsidiary undertakings and associates. On 2 May 2017, the Company acquired the remaining 50% shareholding in AB Graphic Machinery (Espana) SA.

Subsidiary undertaking	Country of incorporation	Nature of business	Proportion of issued equity capital held
Burton Engineering Company Limited	England and Wales	Dormant	100%
A B Graphic Machinery (Espana) SA	Spain	Supply of printing machinery	50%

The registered address of Burton Engineering Company Limited is the same as the parent company on page 1. The registered address of A B Graphic Machinery (Espana) SA is Calle Joaquim Castells, 1 Poligono Industrial Armenteres, Sant Feliu Llobregat, Barcelona, Spain.

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 12. STOCKS

	2017 £	2016 £
Raw materials	3,507,349	2,797,304
Work in progress	4,109,872	3,070,645
Finished goods and goods for resale	2,229,456	2,380,854
	<u>9,846,677</u>	<u>8,248,803</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

### 13. DEBTORS

	2017 £	2016 £
Trade debtors	2,283,828	1,234,418
Amounts owed by group undertakings	1,932,903	4,005,585
Other debtors	369,887	200,449
Prepayments and accrued income	806,608	699,511
Amounts due from associated undertaking	104,043	74,915
Deferred tax asset (see note 15)	185,576	-
	<u>5,682,845</u>	<u>6,214,878</u>

Amounts owed by Group undertakings are non-interest bearing, repayable on demand and due within one year.

### 14. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Payments received on account	4,396,467	3,427,735
Trade creditors	6,685,787	5,720,469
Amounts owed to group undertakings	90,635	90,635
Corporation tax	692,341	165,400
Other taxation and social security costs	248,527	225,685
Accruals and deferred income	1,999,407	1,654,888
	<u>14,113,164</u>	<u>11,284,812</u>

Amounts owed to Group undertakings are non-interest bearing, repayable on demand and due within one year.

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 15. DEFERRED TAXATION

	Deferred taxation £
At 1 May 2016	(19,800)
Credit to the income statement	(65,815)
Credit to other comprehensive income	(139,561)
	<hr/>
At 30 April 2017	185,576
	<hr/>

Deferred taxation provided in the financial statements are as follows:

	2017 £	2016 £
Capital allowances in excess of depreciation	(57,694)	(150,300)
Short term timing differences	5,100	5,400
Defined benefit pension scheme deficit	238,170	125,100
	<hr/>	<hr/>
	185,576	(19,800)
	<hr/>	<hr/>

There are no unprovided amounts in relation to deferred taxation.

### 16. DEFERRED GOVERNMENT GRANTS

	2017 £	2016 £
Balance as at 1 May	112,628	185,074
Released during the year	(47,328)	(72,446)
	<hr/>	<hr/>
Balance at 30 April	65,300	112,628
	<hr/>	<hr/>

### 17. CONTINGENT LIABILITY

The Company has given unlimited multilateral guarantees in respect of amounts due to the bank by its ultimate parent and fellow subsidiary undertakings. At 30 April 2017 the amounts due by these companies were £nil (2016: £nil).

### 18. RELATED PARTY TRANSACTIONS

A B Graphic International Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of related party transactions.

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 19. CALLED-UP SHARE CAPITAL AND RESERVES

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
20,000 Ordinary shares of £1 each	20,000	20,000

The Company's other reserves are the profit and loss reserve which represents cumulative profits or losses, net of dividends paid and other adjustments and the share premium account contains the premium arising on issue of equity shares, net of issue expenses.

### 20. PENSION LIABILITY

Certain company employees are members of a defined benefit pension scheme operated by G.H.B. (Holding) Limited (the "Scheme"). This includes employees of A B Graphic International Limited and employees of the related parties G.H.B. (Holding) Limited and Celebration Paper and Plastics Ltd. The scheme is closed to new entrants and the accrual of future benefits.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 5 April 2016 by Mr. E Edwards, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2017 %	2016 %
Main assumptions:		
Rate of increase in salaries	n/a	n/a
Rate of increase in pension in payment	2.5	2.2
Rate of increase in deferred pensions	2.6	2.3
Discount rate	2.5	3.3
Inflation assumption	3.6	3.3

#### Retirement benefit scheme

Mortality assumptions:

	2017 Years	2016 Years
Retiring today:		
Males	21.9	21.7
Females	23.7	24.0
Retiring in 20 years:		
Males	23.0	23.0
Females	25.0	25.5

# A B GRAPHIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

### 20. PENSION LIABILITY (continued)

Amounts recognised in the profit and loss account in respect of the defined benefit schemes are as follows:

	2017 £	2016 £
Interest cost	<u>21,000</u>	<u>14,000</u>

Amounts recognised in other comprehensive income in respect of the defined benefit schemes are as follows:

	2017 £	2016 £
Remeasurement of net defined benefit pension scheme liability	<u>(839,000)</u>	<u>(293,000)</u>

The assets and liabilities of the scheme attributed to AB Graphic International Limited were as follows:

	2017 £	2016 £
Equities	6,683,000	5,809,000
Bonds	1,097,000	975,000
Others	<u>32,000</u>	<u>22,000</u>
Total market value of assets	7,812,000	6,806,000
Present value of scheme liabilities	<u>(9,213,000)</u>	<u>(7,501,000)</u>
Deficit in the scheme	<u>(1,401,000)</u>	<u>(695,000)</u>

Movements in the present value of defined benefit obligations were as follows:

	2017 £	2016 £
At 1 May	7,501,000	7,567,000
Interest cost	246,000	255,000
Actuarial loss/(gain)	1,573,000	(208,000)
Benefits paid	<u>(107,000)</u>	<u>(113,000)</u>
At 30 April	<u>9,213,000</u>	<u>7,501,000</u>

Movements in the fair value of scheme assets were as follows:

	2017 £	2016 £
At 1 May	6,806,000	7,116,000
Expected return on scheme assets	734,000	241,000
Interest income	225,000	(501,000)
Contributions from the sponsoring companies	154,000	63,000
Benefits paid	<u>(107,000)</u>	<u>(113,000)</u>
At 30 April	<u>7,812,000</u>	<u>6,806,000</u>



## **A B GRAPHIC INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 April 2017**

#### **20. PENSION LIABILITY (continued)**

Certain directors of the Company are members of a self-administered fund defined contribution scheme. Contributions are made by G.H.B. (Holding) Limited and relevant details are disclosed in the Company's financial statements.

Other employees are eligible to join a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independent administered fund. There are no amounts accrued or prepaid at the year end or previous year end.

The total contributions paid by the Company during the year to the defined contribution scheme were £395,191 (2016: £428,721). At the year end no contributions to the pension scheme were shown in creditors (2016: £nil).

The directors expect the Company's contributions to the defined contribution scheme in the year ending 30 April 2018 to be in line with those in the year ended 30 April 2017.

#### **21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate and ultimate parent undertaking is G.H.B. (Holding) Limited, registered in England and Wales. The largest and smallest group of which this Company's results are consolidated is G.H.B. (Holding) Limited. Copies of the financial statements of G.H.B. (Holding) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff.

The directors consider that the ultimate controlling party to be the Burton family by virtue of their majority shareholdings.