Instarmac Group plc

FINANCIAL STATEMENTS

for the year ended

30 September 2012

AMENDED

Company Registration No 1324925

Instarmac Group plc
OFFICERS AND ADVISORS

DIRECTORS

J A Holcroft
D Heath
P F Butcher
T J Boniface

SECRETARY

D Heath

COMPANY NUMBER

1324925

REGISTERED OFFICE AND BUSINESS ADDRESS

Danny Morson Way
Birch Coppice Business Park
Dordon
Tamworth
Staffs
B78 1SE

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

BANKERS

Lloyds TSB Plc
17 George Street
Tamworth
Staffs
B79 7LW

Instarmac Group plc
DIRECTORS' REPORT

The directors submit their report and the company financial statements for the year ended 30 September 2012

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture of road repairing materials, sub-floor preparation products and tile adhesives There have not been any significant changes in the company's principal activities in the year under review The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year

REVIEW OF THE BUSINESS, RISKS AND UNCERTAINTIES

The directors felt the results for the year and the financial position at the year end were very good considering the prevailing economic climate Competitors are always a risk but the company manages this risk by providing added value services to its customers, by having market leading products, technical expertise and an exceptional delivery service The risk of public sector spending cuts may limit the speed of the company's growth, but the directors believe that growth will still be achieved

RESULTS, DIVIDENDS AND KEY PERFORMANCE INDICATORS

The audited financial statements for the year ended 30 September 2012 are set out on pages 6 to 18 The profit for the year after taxation is £5,827,887 (2011 £4,666,553) on a turnover of £33,290,911 (2011 £30,579,130) The directors paid dividends of £28 43 per £1 share totalling £1,421,500 (2011 £3,755,000)

Turnover, therefore has risen by 8 9% and pre tax profits by 20 6%

RESEARCH AND DEVELOPMENT

The company continued to invest in research and development This has resulted in a number of updates to existing products and development of new products The directors regard research and development investment as necessary for continuing success in the medium to long term future

FUTURE DEVELOPMENTS

The company anticipates further expansion in the coming years

POST BALANCE SHEET EVENTS

On 5 November 2012, dividends totalling £163,500 were declared and paid

DIRECTORS

The following directors have held office since 1 October 2011

J A Holcroft
D Heath
P F Butcher
T J Boniface

CHARITABLE DONATIONS

During the year the company made charitable donations totalling £3,349 (2011 £9,785) to local charities serving the community in which the company operates and also to the Japanese Earthquake disaster

CREDITOR PAYMENT POLICY

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

On average, trade creditors at the year end represented 47 days (2011 46 days) purchases

AUDITORS

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

On behalf of the board

J A Holcroft
Director

8 January 2013

Instarmac Group plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year Under that law 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)

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 those financial statements, the directors are required to

a select suitable accounting policies and then apply them consistently,

b make judgements and accounting estimates that are reasonable and prudent,

c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

d 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 INSTARMAC GROUP PLC

We have audited the financial statements on pages 6 to 18 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)

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 more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

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 September 2012 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 the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Baker Tilly UK Audit LLP

BENJAMIN LAWRANCE
(Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

8 January 2013

Instarmac Group plc

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2012

	Notes	2012 £	2011 £
TURNOVER	1	33,290,911	30,579,130
Cost of sales		(17,560,694)	(16,159,534)
GROSS PROFIT		15,730,217	14,419,596
Administrative expenses		(8,162,971)	(8,157,244)
Other operating income		2,603	39,000
OPERATING PROFIT	2	7,569,849	6,301,352
Interest receivable and similar income	3	99,461	65,838
Interest payable and similar charges	4	(12,329)	(17,100)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,656,981	6,350,090
Taxation	7	(1,829,094)	(1,683,537)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	5,827,887	4,666,553

The operating profit for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

Instarmac Group plc

BALANCE SHEET

30 September 2012 Company Registration No 1324925

	Notes	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Intangible assets	9	-		312,295	
Tangible assets	10	13,416,339		13,135,588	
			13,416,339		13,447,883
CURRENT ASSETS					
Stocks	11	1,415,819		1,370,006	
Debtors	12	7,489,282		7,287,469	
Cash at bank and in hand		11,484,100		7,768,190	
		20,389,201		16,425,665	
CREDITORS Amounts falling due within one year	13	(7,519,091)		(7,908,486)	
NET CURRENT ASSETS			12,870,110		8,517,179
TOTAL ASSETS LESS CURRENT LIABILITIES			26,286,449		21,965,062
PROVISIONS FOR LIABILITIES	14		(395,000)		(480,000)
NET ASSETS			25,891,449		21,485,062
CAPITAL AND RESERVES					
Called up share capital	16		50,000		50,000
Profit and loss account	17		25,841,449		21,435,062
SHAREHOLDER'S FUNDS	18		25,891,449		21,485,062

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on 8 January 2013 and are signed on its behalf by

J A Holcroft
Director

BASIS OF ACCOUNTING
The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

TURNOVER
Turnover is recognised at the fair value of the consideration received or receivable for sale of goods in the ordinary nature of business Turnover is shown net of Value Added Tax, of goods provided to external customers

RESEARCH AND DEVELOPMENT
Research expenditure is written off to the profit and loss account in the year in which it is incurred Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit

TANGIBLE FIXED ASSETS AND DEPRECIATION
Tangible fixed assets other than freehold land are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows

Freehold buildings	between 2% p a and 6 67% p a on a straight line basis
Leasehold property	straight line basis over the lower of 50 years or the remaining lease term
Plant and machinery	15% p a on a straight line basis
Fixtures, fittings and equipment	25% p a on a straight line basis
Motor vehicles	25% p a on a straight line basis

GOODWILL
Goodwill representing the excess of the consideration for an acquired undertaking, or acquired trade and assets, compared with the fair value of net assets acquired is capitalised and written off evenly over two years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

IMPAIRMENTS
Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards

Shortfalls between carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments All impairment losses are recognised in the profit and loss account.

LEASING
All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable

STOCK
Stocks and work in progress are valued at the lower of cost and net realisable value Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal Provision is made for obsolete and slow-moving items

PENSIONS
The company operates a defined contribution scheme for the benefit of its employees Contributions payable are charged to the profit and loss account in the year they are payable Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

DEFERRED TAXATION
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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which 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

GOVERNMENT GRANTS
Grants are credited to deferred revenue Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred

SHARE-BASED EMPLOYEE REMUNERATION
The financial statements include the application of Financial Reporting Standard 20 'Share-based payments'

Instarmac Group plc is a party to a group enterprise management incentive (EMI) scheme In this scheme, certain employees of Instarmac Group plc receive remuneration by way of share options in Instarmac Holdings Limited These options are measured at fair value at the date of grant and where material the fair value is expensed on a straight line basis over the vesting period based on the best estimate of the number of shares that will eventually vest

The fair value is measured by reference to valuations made by Her Majesty's Revenue & Customs at the date the options are granted

FOREIGN CURRENCIES
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to the profit and loss account

1 TURNOVER

The total turnover of the company for the year has been derived from its principal activities, which are considered to arise from only one business segment

The analysis by geographical area of destination for the company's turnover is set out below

Geographical market	2012 £	2011 £
UK	31,107,116	28,476,199
EEC	925,882	1,009,656
Rest of the world	1,257,913	1,093,275
	33,290,911	30,579,130

2 OPERATING PROFIT

Operating profit is stated after charging/(crediting)	2012 £	2011 £
Depreciation of tangible assets	1,628,884	1,490,216
Amortisation of intangible assets	312,295	534,472
Research and development	447,989	373,954
Operating lease rentals – land and buildings	19,536	19,304
Government grants	-	(37,000)
Profit on disposal of tangible assets	(151,219)	(32,774)
Foreign exchange losses/(gains)	16,830	(20,728)
Auditors' remuneration		
Audit services		
- statutory audit	17,500	15,705
Other services		
- relating to taxation	4,400	4,400
	21,900	20,105

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Bank interest	99,461	65,838

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
On other loans wholly repayable within five years	10,263	14,491
Other interest	2,066	2,609
	12,329	17,100

5 DIRECTORS' EMOLUMENTS

	2012 £	2011 £
Emoluments for qualifying services	1,253,247	1,070,375
Company pension contributions to money purchase schemes	22,939	21,034
	1,276,186	1,091,409

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2011 4)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	940,420	734,055
Company pension contributions to money purchase schemes	8,481	7,777
	948,901	741,832

Share options

As part of the parent company's enterprise management incentive plan the following share options have been granted over the parent company's shares, in respect of the highest paid director of the company

Grant date	25/7/08	16/12/09	Total
At start of period (No)	213	931	1,144
Granted (No)			
Exercised (No)	(213)	(892)	(1,105)
Laped (No)			
At the end of the period (No)	-	39	39
Exercise price (£)		£1 00	

Included within the options granted on 16 December 2009 are 39 share options granted under an unapproved scheme

5 DIRECTORS' EMOLUMENTS (continued)

All options expire on the tenth anniversary of the grant date

The amount which would be recognised as an expense under FRS 20 relating to these equity settled share-based payment transactions is considered to be immaterial and therefore has not been recognised in the financial statements

6 EMPLOYEES

	2012 No	2011 No
The average monthly number of employees (including directors) during the year was		
Manufacturing	57	55
Sales	49	51
Administration	35	29
	141	135

Employment costs	2012 £	2011 £
Wages and salaries	5,089,666	4,864,748
Social security costs	613,865	576,457
Other pension costs	226,915	198,690
	5,930,446	5,639,895

7 TAXATION

	2012 £	2011 £
Current tax charge		
UK corporation tax	1,875,016	1,780,294
Adjustment in respect of prior periods	39,078	(1,181)
Current tax charge	1,914,094	1,779,113
Deferred tax		
Origination and reversal of timing differences	(46,600)	(52,914)
Effect of tax rate change on opening balance	(38,400)	(42,662)
Deferred tax credit	(85,000)	(95,576)
Total tax charge	1,829,094	1,683,537

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax of 25% (2011 27%) The differences are explained below

Profit on ordinary activities before tax	7,656,981	6,350,090
Profit on ordinary activities multiplied by the standard rate of corporation tax of 25% (2011 27%)	1,914,245	1,714,524
Effects of		
Income not taxable	(32,997)	(16,920)
Non deductible expenses	102,480	34,808
Depreciation in excess of capital allowances	50,772	60,663
Additional deduction for research and development expenditure	(120,011)	(23,470)
Adjustments to previous periods	39,078	(1,181)
Other tax adjustments	(39,473)	10,689
Current tax charge for the year	1,914,094	1,779,113

8 DIVIDENDS

The directors paid dividends of £28 43 per £1 share totalling £1,421,500 (2011 £3,755,000)

On 5 November 2012, further dividends totalling £163,500 were declared and paid

9	INTANGIBLE FIXED ASSETS	Goodwill £
	Cost	
	1 October 2011 and 30 September 2012	1,070,725
	Disposals (reduction in agreed price)	-
	Amortisation	
	1 October 2011	758,430
	Charge in the year	312,295
	30 September 2012	1,070,725
	Net book value	
	30 September 2012	-
	30 September 2011	312,295

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
COST						
At 1 October 2011	9,852,647	235,222	7,792,114	778,238	2,225,968	20,884,189
Additions	-	-	1,217,139	32,991	724,367	1,974,497
Disposals	-	-	(6,422)	(110,265)	(518,898)	(635,585)
At 30 September 2012	9,852,647	235,222	9,002,831	700,964	2,431,437	22,223,101
DEPRECIATION						
At 1 October 2011	613,881	42,339	5,174,408	581,067	1,336,906	7,748,601
Charge for the year	155,103	4,705	925,441	89,851	453,784	1,628,884
On disposals	-	-	(6,422)	(110,265)	(454,036)	(570,723)
At 30 September 2012	768,984	47,044	6,093,427	560,653	1,336,654	8,806,762
NET BOOK VALUE						
At 30 September 2012	9,083,663	188,178	2,909,404	140,311	1,094,783	13,416,339
At 30 September 2011	9,238,766	192,883	2,617,706	197,171	889,062	13,135,588

Included within freehold land and buildings is land of £2,508,140 (2011 £2,508,140) that is not depreciated

11 STOCKS

	2012 £	2011 £
Raw material and consumables	832,064	859,865
Work in progress	60,612	72,920
Finished goods and goods for resale	523,143	437,221
	1,415,819	1,370,006

12 DEBTORS

	2012 £	2011 £
Due within one year		
Trade debtors	6,323,892	6,292,796
Other debtors	884,620	726,557
Prepayments and accrued income	280,770	268,116
	7,489,282	7,287,469

13 CREDITORS Amounts falling due within one year

	2012 £	2011 £
Trade creditors	2,732,007	3,228,809
Amounts owed to parent and fellow subsidiary undertakings	256,053	237,978
Corporation tax	975,016	919,395
Other taxes and social security costs	1,128,447	994,420
Other creditors	757,742	872,754
Accruals and deferred income	1,169,826	1,155,130
Other loans	500,000	500,000
	7,519,091	7,908,486

Other loans are unsecured and bear interest at 1 5% above Bank of England base rate and are repayable on demand

14 PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax liability £
Balance at 1 October 2011	480,000
Profit and loss account	(85,000)
Balance at 30 September 2012	395,000

The deferred tax liability is made up as follows	2012 £	2011 £
Accelerated capital allowances	395,000	480,000

15 PENSION AND OTHER POST-RETIREMENT BENEFIT COMMITMENTS

Defined contribution schemes

The company operates defined contribution pension schemes The assets of the schemes are held separately from those of the company in independently administered funds

	2012 £	2011 £
Contributions payable by the company for the year	226,915	198,690

Outstanding contributions relating to the year of £23,470 (2011 £22,000) are included within other creditors (note 13)

16 SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

17 STATEMENT OF MOVEMENT IN PROFIT AND LOSS ACCOUNT

	Profit and loss account £
Balance at 1 October 2011	21,435,062
Profit for the year	5,827,887
Dividend (note 8)	(1,421,500)
Balance at 30 September 2012	25,841,449

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2012 £	2011 £
Profit for the financial year	5,827,887	4,666,553
Dividends (note 8)	(1,421,500)	(3,755,000)
Net additions to shareholder's funds	4,406,387	911,553
Opening shareholder's funds	21,485,062	20,573,509
Closing shareholder's funds	25,891,449	21,485,062

19 CAPITAL COMMITMENTS

	2012 £	2011 £
Capital expenditure contracted for but not provided in the financial statements	617,519	1,394,140

20 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Until the point of his death on 10 October 2008, the company's ultimate controlling party was Mr C W Hudson, by way of his majority shareholding in Instarmac Holdings Limited, the immediate and ultimate parent undertaking After this date ultimate control rested with the executors of Mr Hudson's will until the granting of probate on 11 January 2010 From this date the Trustees of the Will Trust are considered to have ultimate control

21 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption within Financial Reporting Standard 8 'Related party transactions' not to disclose transactions with its parent and fellow subsidiary companies as the transactions are eliminated in the consolidated accounts of Instarmac Holdings Limited, registered company No 3268498, which are publicly available from Companies House

Creditors amounts falling due within one year include a loan of £500,000 (2011 £500,000) from the Charles William Hudson 2007 Trust Interest on this loan is calculated at 1 5% above Bank of England base rate and is payable annually in arrears The interest charge for the year amounted to £10,264 (2011 £14,491)

Included within other creditors is £33,508 (2011 £119,495) due to J A Holcroft, a director

In addition, £669,100 (2011 £706,852) is due to J Hudson, a beneficiary of the Trust and a shareholder of the parent company

There is no interest payable on these balances

22 OPERATING LEASE COMMITMENTS

At 30 September 2012, the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2012	2011
	£	£
Within one and two years	13,500	13,500