

CONTACTUM LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2016



CONTACTUM LIMITED

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CONTACTUM LIMITED

COMPANY INFORMATION

Directors

M Alsameen
P N R A Hoerter

Company secretary

C J Brashaw

Registered number

06835712

Registered office

Victoria Works
Edgware Road
London
NW2 6LF

Independent auditor

Blick Rothenberg Audit LLP
16 Great Queen Street
Covent Garden
London
WC2B 5AH

CONTACTUM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year, after taxation, amounted to £3,132,146 (2015 -loss £2,754,141).

The directors have not recommended a dividend (2015 - £nil).

Directors

The directors who served during the year were:

M Alsalameen
D R Goodberry (resigned 31 May 2016)
P N R A Hoerter (appointed 16 March 2016)

Matters covered in the strategic report

As permitted by section 414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Going concern

The financial statements have been prepared using the going concern basis of accounting. Further details regarding the adoption of the going concern basis can be found in the accounting policy 2.2 in the notes to the financial statements.

Post balance sheet events

There have been no significant events affecting the company since the year end.

This report was approved by the board and signed on its behalf.



P N R A Hoerter
Director

Date: 16/06/2017

CONTACTUM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 for the company's financial statements and then apply them consistently;
- make judgments 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;
- 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.

CONTACTUM LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The directors present their strategic report for the year ended 31 December 2016.

The principal activity of the company during the year was the manufacture and sale of electrical accessories and circuit protection equipment.

Review of the business and future developments

Sales fell by 3.1% in 2016. The performance reflects the restructuring of the business during the year and the challenges it has faced introducing a new commercial policy. Despite the exceptional cost impact of a stock profile review and the strategic and operational changes made, the company achieved a significantly improved financial result in the second half of the year compared to the first six months. Contactum now has a solid foundation and a more cost effective base to build on to re-establish its position in the market place and to achieve the future growth and improved performance expected in 2017-2019.

The long term strategy of the parent, Alfamar Company, remains. Contactum must be synonymous with high quality products, high service level and design competencies in the Switches and Sockets and Consumer Units market. Having been a British manufacturer for more than 80 years, investment in the UK facility will continue with the aim to be recognised as an expert in metal switches and socket products in addition to being a solution provider in the electrical distribution products market.

The Introduction of product classification, improved Supplier relationships and the implementation of a structured logistics operation has led to improvements in supply chain, stock control and customer service levels. Manufacturing efficiency improvements have been made through facility enhancements and process changes. There has also been the introduction of new product ranges and the ISO 9001 certification renewal.

Sales & Marketing has seen a new commercial policy to develop key customer engagement with increased emphasis on brand awareness focussing on the core business of Switches & Sockets and Consumer Units. Human Resources have introduced an employee satisfaction program to ensure the commitment of a highly motivated and skilled workforce to meet the challenges and to grow the business.

The structural changes, improved cost control and openness with all interested parties is ensuring Contactum is continuing to develop in to the flexible and dynamic operation able to respond to the future needs and challenges of the industry.

The investment and restructuring mentioned above, in addition to the challenges and learning curve with introducing a new integrated business system, has been reflected and expected, in the financial performance for 2016. Alfamar Company, the parent company of the business, remains fully committed both financially and operationally to the development of the company. The program of capitalisation of outstanding loans provided by the parent company was started in 2016 with plans for a further capitalisation to demonstrate the commitment to its UK operation.

CONTACTUM LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties

Credit risk

The company's principal financial assets are bank balances, trade debtors and other debtors.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts.

Credit risk is reduced by contracting only with credit worthy customers.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

Liquidity risk is mitigated through forecasting the future cash flow requirements of the business and maintaining sufficient cash balances.

Foreign currency risk

The company undertakes transactions in foreign currency and the directors are aware of the foreign currency risks. The balance of the company's assets and liabilities held in foreign currency naturally mitigate against the risk.

Financial key performance indicators

During the period under review the Key Performance Indicator systems in place have been further developed across the business which has continued to improve the measurement and monitoring of the business.

The key performance indicators used in the business to monitor strategy include:

- Sales growth and customer retention
- Gross and net profit margin
- Operating cash flow
- Stock levels
- On time in full sales orders

Other performance indicators

The directors are committed to promoting the health, safety and welfare of their staff and continue to ensure appropriate measures are undertaken in this regard.

The directors are mindful of environmental issues and have sought to minimise the impact of the company's activities on the environment.

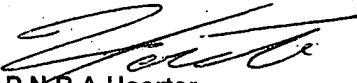
CONTACTUM LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Research and development

The company has continued its research and development activities in order to deliver products that better meet market needs with the aim of expanding its share of the market.

This report was approved by the board and signed on its behalf:



P. N. R. A. Hoerter
Director

Date: 16/06/2017

CONTACTUM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTACTUM LIMITED FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of Contactum Limited for the year ended 31 December 2016, set out on pages 9 to 28. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 strategic report and the directors' 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 31 December 2016 and of its profit or loss 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.

CONTACTUM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTACTUM LIMITED (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

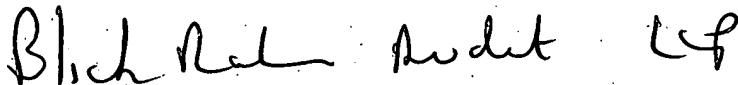
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.



Andrew Sanford (Senior statutory auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 19/06/2017

CONTACTUM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	4	9,969,018	10,288,524
Cost of sales		(8,375,263)	(8,267,760)
Gross profit		1,593,755	2,020,764
Distribution costs		(349,764)	(403,050)
Administrative expenses		(4,280,822)	(4,273,201)
Operating loss	5	(3,036,831)	(2,655,487)
Interest payable and similar expenses	9	(95,315)	(98,654)
Loss before tax		(3,132,146)	(2,754,141)
Loss for the year		(3,132,146)	(2,754,141)

The notes on pages 13 to 28 form part of these financial statements.

There are no items of other comprehensive income for either the year or the prior year other than the loss for the year. Accordingly no statement of other comprehensive income has been presented.

CONTACTUM LIMITED

REGISTERED NUMBER:06835712

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	1,022,553	1,137,620
		<u>1,022,553</u>	<u>1,137,620</u>
Current assets			
Stocks	12	3,322,303	3,461,617
Debtors: amounts falling due within one year	13	2,007,905	1,892,527
Cash at bank and in hand	14	108,362	287,678
		<u>5,438,570</u>	<u>5,641,822</u>
Creditors: amounts falling due within one year	15	(7,095,382)	(7,781,555)
Net current liabilities		<u>(1,656,812)</u>	<u>(2,139,733)</u>
Total assets less current liabilities		<u>(634,259)</u>	<u>(1,002,113)</u>
Creditors: amounts falling due after more than one year	16	-	(2,500,000)
Net liabilities		<u><u>(634,259)</u></u>	<u><u>(3,502,113)</u></u>
Capital and reserves			
Called up share capital	18	500	400
Share premium account	19	9,999,500	3,999,600
Profit and loss account	19	(10,634,259)	(7,502,113)
		<u><u>(634,259)</u></u>	<u><u>(3,502,113)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


P N R A Hoerter
Director

Date: 16/06/2017

The notes on pages 13 to 28 form part of these financial statements.

CONTACTUM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2015	400	3,999,600	(4,747,972)	(747,972)
Comprehensive income for the year				
Loss for the year	-	-	(2,754,141)	(2,754,141)
Total comprehensive income for the year	-	-	(2,754,141)	(2,754,141)
At 1 January 2016	400	3,999,600	(7,502,113)	(3,502,113)
Comprehensive income for the year				
Loss for the year	-	-	(3,132,146)	(3,132,146)
Total comprehensive income for the year	-	-	(3,132,146)	(3,132,146)
Shares issued during the year	100	5,999,900	-	6,000,000
At 31 December 2016	500	9,999,500	(10,634,259)	(634,259)

CONTACTUM LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial year	(3,132,146)	(2,754,141)
Adjustments for:		
Depreciation of tangible assets	258,339	191,403
Loss on disposal of tangible assets	-	53,610
Interest paid	-	13,113
Decrease/(increase) in stocks	139,314	(700,761)
(Increase)/decrease in debtors	(115,378)	228,973
(Decrease)/increase in creditors	(276,382)	427,949
Net cash generated from operating activities	(3,126,253)	(2,539,854)
Cash flows from investing activities		
Purchase of tangible fixed assets	(143,272)	(737,547)
Net cash from investing activities	(143,272)	(737,547)
Cash flows from financing activities		
Issue of ordinary shares	6,000,000	-
(Decrease)/Increase in trade financing facilities	(345,424)	1,074,701
Repayment of finance leases	-	(25,733)
Increase in loans from group companies	-	3,445,014
Loans from group companies repaid	(2,564,367)	-
Interest paid	-	(13,113)
Net cash used in financing activities	3,090,209	4,480,869
Net (decrease)/increase in cash and cash equivalents	(179,316)	1,203,468
Cash and cash equivalents at beginning of year	287,678	(915,790)
Cash and cash equivalents at the end of year	108,362	287,678
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	108,362	287,678
	108,362	287,678

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Contactum Limited manufactures and sells electrical accessories and circuit protection equipment.

Contactum Limited is a private company limited by shares and is incorporated in England. The address of its principal place of business is Victoria House, 2 Blackmoor Lane, Croxley Green Business Park, Watford, WD18 8GA. The registered office of the business is Victoria Works, Edgware Road, London, NW2 6LF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The financial statements are presented in Sterling (£).

The following principal accounting policies have been applied:

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.2 Going concern

The financial statements have been prepared on a going concern basis notwithstanding the fact that the company has a deficiency on shareholders funds at the end of the year. The directors consider this basis to be appropriate as the company has received a letter of financial support from its parent company, Al Fanar Company.

The company has net current liabilities of £1,656,812 and net total liabilities of £634,259 as at 31 December 2016.

The company currently meets its day-to-day working capital requirements from intercompany loans and balances with fellow group companies of the group headed by Al Fanar Company.

The directors have prepared cash flow forecasts for the next 12 months which show that the company will continue to be reliant on the group to support its working capital needs. These forecasts include key assumptions specifically over the company's future trading activity and acknowledge that variations in the trading assumptions would impact the timing and quantum of cash flows.

On the basis of these forecasts Al Fanar Company has confirmed to the directors its intention to keep providing the necessary support for at least the next 12 months from the date of approval of these financial statements to enable the company to continue to settle its liabilities as they fall due.

The Board of Directors of Al Fanar Company has also considered the group's cash flow projections and believes that the group's current cash will be sufficient to meet the expected cash requirements of the group, for 12 months from the signing of the company financial statements.

The company's directors believe it is unlikely that Al Fanar Company would not be able to provide the support offered. Accordingly, the directors consider that the forecasts and indication of support from Al Fanar Company should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment and have prepared the financial statements on a going concern basis. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold improvements	- Over the unexpired term of the related lease
Plant and machinery	- 20% straight line
Motor vehicles	- 25% straight line
Office equipment	- 25% straight line
Computer equipment	- Between 14.3% and 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the profit and loss account.

2.5 Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the term of the lease.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 Finance leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Cost of material is based on invoiced cost.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.8 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes 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.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable or payable'. All other foreign exchange gains and losses are presented in the profit and loss account within 'operating loss'.

2.10 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.12 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.13 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.14 Research and development

Research and development expenditure is expensed as incurred.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The carrying value of stock, at the lower of cost and net realisable value, is dependent on key judgments and estimates that are made by management. The judgments relating to stock include an estimation of future expected average sales prices and disposal costs. These judgments also include consideration of specific factors and the developments in the market that have been identified throughout the year and subsequent to the year end. Actual outcomes could be different to the assumptions used in determining the estimates.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Sale of goods	9,969,018	10,288,524
	<u>9,969,018</u>	<u>10,288,524</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	7,171,161	7,936,855
Rest of the world	2,797,857	2,351,669
	<u>9,969,018</u>	<u>10,288,524</u>

5. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Stock recognised as an expense	6,448,846	5,998,113
Depreciation of tangible fixed assets	258,339	191,403
Impairment of trade debtors	150,394	87,688
Exchange differences	3,078	(17,993)
Loss on sale of tangible assets	-	53,610
Defined contribution pension cost	118,810	63,158
Operating lease rentals - land & building	287,277	369,045
Impairment of stock	171,634	324,757
Exceptional expenditure: termination payments	153,700	-
	<u>153,700</u>	<u>-</u>

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	23,500	23,500

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. Employees

	2016 £	2015 £
Wages and salaries	3,106,757	3,360,218
Social security costs	288,765	384,825
Pension costs	118,810	63,158
	<u>3,514,332</u>	<u>3,808,201</u>

The average monthly number of employees, including directors

	2016 No.	2015 No.
Office and management	18	18
Production and sales	95	94
	<u>113</u>	<u>112</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	29,077	-
Company contributions to defined contribution pension schemes	582	-
	<u>29,659</u>	<u>-</u>

During the year retirement benefits were accruing to 1 directors (2015: -NIL) in respect of defined contribution pension schemes.

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	-	13,133
Loans from group undertakings	95,315	85,521
	<u>95,315</u>	<u>98,654</u>

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. Taxation

	2016 £	2015 £
Current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 -higher than) the standard rate of corporation tax in the UK of 20% (2015 -20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	(3,132,146)	(2,754,141)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.25%)	(626,429)	(557,714)

Effects of:

Expenses not deductible for tax purposes	345	12,381
Capital allowances for year in excess of depreciation	12,207	(69,814)
Unrelieved tax losses and other deductions arising in the period	584,572	586,176
Interest not deductible for tax purposes	19,063	19,977
Other short term timing differences	10,242	8,994

Total tax charge for the year

-	-
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Factors that may affect future tax charges

The company has a potential deferred tax asset of £1,750,000 (2015: £1,150,000) the majority of which is in respect to tax losses carried forward of £10,450,000 (2015: £7,500,000) that has not been recognised due to uncertainty as to the timing of losses being utilised.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance (No. 2) Act 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements. Subsequent to the year end a further reduction in the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Tangible fixed assets

	Improve- ments to leasehold £	Plant and machinery £	Motor vehicles £	Office equipment £	Computer equipment £
Cost					
At 1 January 2016	469,676	520,288	9,495	322,404	161,625
Additions	48,404	41,625	-	16,743	-
Transfers between classes	-	79,639	-	-	-
At 31 December 2016	518,080	641,552	9,495	339,147	161,625
Depreciation					
At 1 January 2016	42,622	278,395	9,495	45,074	49,921
Charge for the year	48,103	102,449	-	92,899	14,888
At 31 December 2016	90,725	380,844	9,495	137,973	64,809
Net book value					
At 31 December 2016	427,355	260,708	-	201,174	96,816
At 31 December 2015	427,054	241,893	-	277,330	111,704

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Tangible fixed assets (continued)

	Assets under construction £	Total £
Cost		
At 1 January 2016	79,639	1,563,127
Additions	36,500	143,272
Transfers between classes	(79,639)	-
At 31 December 2016	36,500	1,706,399
Depreciation		
At 1 January 2016	-	425,507
Charge for the year	-	258,339
At 31 December 2016	-	683,846
Net book value		
At 31 December 2016	36,500	1,022,553
At 31 December 2015	79,639	1,137,620

The net book value of plant & machinery includes £nil (2015: £nil) in respect of assets held under finance leases. The depreciation charge in respect of these assets was £nil (2015: £27,293).

12. Stocks

	2016 £	2015 £
Raw materials and consumables	1,649,579	1,839,198
Finished goods and goods for resale	1,672,724	1,622,419
	3,322,303	3,461,617

There is no significant difference between the replacement cost of the stocks and its carrying amount.

Stocks are stated after provision for impairment of £496,391 (2015: £324,757).

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Debtors

	2016 £	2015 £
Trade debtors	1,342,622	1,481,448
Other debtors	500,962	120,225
Prepayments and accrued income	164,321	290,854
	<u>2,007,905</u>	<u>1,892,527</u>

Included within other debtors is an amount of £100,000 (2015: £100,000) which is due after one year.

14. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	108,362	287,678
	<u>108,362</u>	<u>287,678</u>

15. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade financing facilities	729,277	1,074,701
Trade creditors	1,132,476	1,541,684
Amounts owed to group undertakings	4,118,515	4,182,882
Other taxation and social security	74,136	151,120
Other creditors	331,055	21,912
Accruals and deferred income	709,923	809,256
	<u>7,095,382</u>	<u>7,781,555</u>

Trade financing facilities include £729,277 (2015: £1,074,701) secured by a fixed and floating charge over the related trade debtors and secured by a fixed and floating charge of the assets of the company.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to group undertakings	-	2,500,000
	<u>-</u>	<u>2,500,000</u>

Secured loans

Amounts owed to group undertakings which fall due after more than one year are unsecured and interest bearing at a rate of 3.5%.

17. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>1,342,622</u>	<u>1,481,448</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(5,980,268)</u>	<u>(9,299,267)</u>

Financial assets measured at amortised cost comprise trade debtors.

Financial liabilities measured at amortised cost comprise trade creditors, group creditors and trade financing facilities.

18. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
500 (2015 -400) Ordinary shares of £1 each	<u>500</u>	<u>400</u>

On 22 July 2016 the company issued a further 100 ordinary shares of £1 each for a premium of £59,999 per share, in order to increase the capital of the company.

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Reserves

Share premium

The share premium reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

20. Reclassification of expenses

Certain administrative expenses have been reclassified to cost of sales within the 2015 comparative figures. The reclassification aligns the comparative figures with the 2016 classifications and the current managements determination of the nature of the costs.

21. Pension commitments

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £118,810 (2015: £63,158).

22. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	292,231	336,876
Later than 1 year and not later than 5 years	882,934	983,676
Later than 5 years	416,000	611,000
	<u>1,591,165</u>	<u>1,931,552</u>

23. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

In the year ended 31 December 2016 the directors regard A Salaam as the ultimate controlling party.

Key management personnel

Total remuneration paid to key management personnel (including directors) was £615,396 (2015: £886,178).

CONTACTUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. Controlling party

In the opinion of the directors the immediate controlling party is Al Fanar Company, a company incorporated in Saudi Arabia.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Al Fanar Company. Group financial statements are not publicly available.