Registered Number 7717350

CPL Industries Group Limited
Annual Report
for the year ended 31 March 2019

Contents

Directors and advisers

Directors

R B Kendall • *
Non-executive director
Chairman

T W Minett
Chief Executive Officer

J Sutton
Chief Financial Officer

D Lamb • *
Non executive director

Registered office

Westthorpe Fields Road
Killamarsh
Sheffield
S21 1TZ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Solicitors

DLA Piper UK LLP
1 St. Paul's Place
Sheffield
S1 2JX

Bankers

Lloyds Bank plc
14 Church Street
Sheffield
S1 1HP

Registered number

7717350

* member of audit committee
• member of remuneration committee

Strategic report

for the year ended 31 March 2019

The directors present their strategic report and the audited consolidated financial statements of the CPL Industries Group Limited and its subsidiaries (together the "Group") and individual financial statements of the company for the year ended 31 March 2019.

Strategy

The Group's strategy is to focus on the core businesses of solid fuel manufacturing and distribution, leveraging the Group's competitive advantages. Key elements of the strategic plan are the focus on delivering high quality products and service enabling the business to maintain its market leading position, to broaden the use of CPL manufactured fuels in the strategically important markets of the United Kingdom, Ireland and Europe, and the continued development of next generation fuels based on biomass materials and novel production processes. This strategy is supported by significant investment in the operational infrastructure within both the manufacturing and distribution businesses and by research and development with a particular focus on innovative new product development. The Group has continued to target growth in other important business segments, in particular activated carbons and refractories which both represent strategically important markets for the Group providing both diversification and growth.

Review of business and future developments

Group Review

Turnover of £160.0m (2018: £166.7m) fell marginally from the previous year. The key winter trading months experienced unseasonably mild temperatures, including record highs at some points and this negatively affected consumer demand. Turnover in Ireland was impacted as a key competitor exited the market and flooded the market with discounted product as they scaled down their operations.

The Group generated operating profit, before exceptional costs, of £1.4m, (2018: £7.6m), an impairment provision of £0.8m in respect of plant and equipment, £1.4m redundancy and other restructuring costs and (£0.5m) as a result of revision of estimate. Profitability during the year was impacted by several 'one-off' factors in addition to the unseasonably mild winter. The most significant of these factors was that the carbon reactivation kilns were out of commission whilst capital investments were completed in order to increase capacity in this growth area of the business. This had minimal impact on revenues, but impacted profitability as customers were serviced using third party carbon rather than CPL regenerated carbon.

The Group generated a pre-tax loss of £(4.1)m, compared to a profit of £1.0m in the previous year, with the outcome adversely affected by £3.0m (2018: £4.4m) of exceptional costs.

The Group has continued to make significant investments in strategically important areas. These investments covered both the core business and future development areas. Core business investments included the conversion of one of the Immingham plants to a cold cure process, giving much more flexibility in the production process. Growth investments included increasing the carbon regeneration capacity, investment in carbons vessels and moving upstream in the manufacture of kiln dried wood. Investment in fixed assets in the year was £8.6m in addition to the £8.4m invested in the previous year. Going forward the directors expect that capital expenditure will revert to historical normal levels as the group has completed major capital investments both in Ireland and the carbons division.

At the year end, the Group had net debt of £31.1m (2018: £20.4m) which is £10.7m higher than in the previous year driven primarily by the capital investments in the year.

UK Solid Fuel

Revenue in the UK solid fuel business were heavily impacted by the mild winter temperatures which were significantly higher than historical averages, reducing demand for CPL's solid fuels compared to the previous year. Export revenue from sales of CPL manufactured products was lower than in the previous year as a result of lower sales into Ireland following the Group's investment in a solid fuel manufacturing facility in Ireland.

The UK solid fuel business maintained its position as the largest European manufacturer of smokeless solid fuel briquettes and continued to focus on sales and operational efficiencies. The strategy of investment in the Immingham plant has continued, with capital expenditure focused on both operating improvements in the existing plant and research and development of new products. The conversion of one of the two manufacturing plants to a cold cure process late in the year now gives the business more production flexibility and delivers cost efficiencies.

Defra launched its new Clean Air Strategy in May 2018. Proposals include banning the most polluting solid fuels, including bituminous coal, as well as increased enforcement of Smoke Control Areas. CPL supports this strategy and considers that the proposal will provide significant environmental benefits by replacing these fuels with cleaner manufactured smokeless fuels.

Ireland Solid Fuel

CPL Fuels Ireland sales volumes this year remained broadly in line with the prior year. This was below management expectations with the record mild weather being the biggest impact on this performance although specific market dynamics also impacted the business. A key competitor exited the market, and in doing so unloaded stocks onto the market at significant discounts. CPL only selectively responded to this discounting. Sales of CPL's manufactured smokeless products continued to increase with Homefire Supertherm well established as the leading brand of smokeless fuel in Ireland.

The smokeless solid fuel manufacturing and packing facility in Foynes is operating well and in line with management expectations ahead of making the investment. The plan was constructed ahead of the ban on the burning of smoky coal in the Republic of Ireland, the timing of which was originally announced by Denis Naughten, Minister for Communications, Climate Action and Environment. The ban was originally scheduled to come into effect from autumn 2018, with a twelve month transition period ahead of a full ban from autumn 2019. However, the enforcement of this legislation has now been delayed as it has been subjected to a legal challenge. This delay has had a clear impact on the profitability of the Irish operations and the return on investments made in Ireland

Activated Carbons

The Group's Activated Carbons business had a strong year with sales growth of 19% (2018: 15%) to £16.9m (2018 £14.2m). The activated carbon market continues to grow and the CPL strategy of focusing on offering technical solutions combined with a customer service led approach has resulted in CPL continuing to increase market share. CPL has made further investments in its mobile filter vessel fleet in the year, including a facility to manufacture vessels, giving the business increased capacity to provide customers with a complete carbon filtration service across Europe.

The Group completed further investment in the carbon regeneration facilities at its Immingham site, which now has increased regeneration capacity and given the ability to regenerate carbon for both the industrial and water sectors. This increase in regeneration capacity has been designed to facilitate further growth in the activated carbons market.

Refractories

The Group's refractories business, which includes Cardek, the Group's manufacturer of fused silica refractory shapes for use in coke oven repairs, experienced significant growth in the year, achieving overall revenues of £2.7m, 79% ahead of prior year.

Group research and development activities

The Group is committed to research and development activities in order to maintain and develop its market position in both the solid fuel market and activated carbon market. The main focus of this activity is on new product development, particularly the use of renewable raw materials in solid fuel and activated carbon manufacture. In the year to 31 March 2019 £0.8m (2018: £0.6m) of costs attributable to research and development activities have been charged to the profit and loss account in the year.

During the year the Group completed the installation of a commercial-scale Hydrothermal Carbonisation facility using technology developed by CPL's Spanish partner Ingelia and being constructed in partnership with the University of Nottingham and The Energy Research Accelerator. Based at its Immingham site, the facility is designed to convert high-moisture biomass waste streams into value added solid fuels and was brought into full operation during the year.

Property

The Group is continuing to assess the available options to develop the redundant industrial sites in South Wales. Following the year the end, the Group has accepted an offer for the sites and is progressing to heads of terms. As a result, these properties have been reclassified in the balance sheet as assets held for sale and valued at £4.0m. An exceptional impairment provision of £0.4m in respect of certain plant and equipment located at the properties was also raised in the year.

A further exceptional impairment provision of £0.4m was also raised in respect of certain assets in the activated carbons business.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key risks affecting the business are:

Weather

The sales of the solid fuel business are weather sensitive, leading to variability in demand and as a result the Group requires a flexible operating structure. Achieving this flexibility is constantly under review to ensure the Group can take maximum benefit from favourable weather conditions and minimise the impact of adverse weather conditions.

Raw materials and energy

The Group is subject to movement in price and availability from global markets for its main raw material and energy requirements. These risks are managed through flexible sourcing and securing supply contracts.

Principal risks and uncertainties continued

Foreign Currency
The Group has foreign exchange transaction risks which arise when entities within the Group enter into contracts to pay or receive funds in a currency different from the functional currency of the entity concerned. It is Group policy to hedge material net exposure to cash transactions in foreign currencies, usually through the use of a foreign exchange forward contract.

Brexit
Should a no-deal Brexit arise, it is possible that the Group's supply chain may be subject to some disruption. The Group has followed all official guidance and has put robust plans in place which will ensure that any such disruption is kept to a minimum.

Key performance indicators

In conjunction with the management of costs and working capital to improve operating profit, the Group uses a number of KPIs to monitor the performance of its businesses including:

- EBITDA – earnings before interest, tax, depreciation and amortisation;
- Gross margin % – the ratio of gross margin to sales expressed as a percentage;
- Trading profit % – the ratio of operating profit before exceptional items and goodwill amortisation to sales expressed as a percentage;
- Trading profit to capital employed % – the ratio of operating profit before exceptional items and goodwill amortisation to capital employed expressed as a percentage;
- Sales per employee;
- Debtor days – the average length of time after a sale before payment is received;
- Creditor days – the average length of time after a purchase before payment is made;
- Stock turn – the number of times in a period that the stock is turned over.

Employment policies

The policy of the directors is to encourage the involvement of all employees in the development and performance of the Group. The Group communicates its strategy and performance against its business plan through a programme of employee presentations. Consultation also takes place between the Group and recognised trade unions.

The Group pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others, having regard to the aptitudes and abilities of each applicant.

Efforts are made to enable employees who become disabled during their employment to continue their career with the Group. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

The Group recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring these standards are maintained.

Adherence to the Group employment policies and health and safety performance is monitored on an ongoing basis using non-financial KPIs.

Strategic report continued
for the year ended 31 March 2019

Post-Balance Sheet Events

During the year the Company repurchased the shares owned by D Wake, a former director, without the appropriate level of distributable reserves. A dividend of £8.7m from the Company's subsidiary, CPL Industries Group Holdings Limited, will be paid in order to restore the Company's positive distributable reserves following this transaction.

The Company agreed to purchase the 634 ordinary shares and 865 B ordinary shares for a consideration of £720,000. This consideration was settled in November 2018 with a cash payment of £429,000, which also cleared D Wake's existing loan from CPL Industries Limited of £291,000. The shares purchased by the Company were cancelled, with a transfer equivalent to their aggregate nominal value of £1,499 being made between the profit and loss account reserve and the capital redemption reserve.

During the year the Company also reached an agreement with D Wake for the repurchase of Company loan notes with an aggregate nominal value of £531,191 held by him. The agreed total consideration was £571,500, payment of which is to be made in three equal tranches in the period between May 2019 and May 2020. The first tranche of £190,500 was paid in May 2019.

On 5 April 2019 the Group acquired 100% of the issued share capital of Housefuel Limited, a company whose principal activity is the sale of smokeless and premium house coal. The total consideration was £1.4m, payable in instalments according to a schedule ending on 5 April 2020.

Going Concern

The Group has long-standing financing arrangements with a number of lenders, the most significant of which is Lloyds Bank plc, who have recently entered into a new Revolving Credit Facility and Asset Based Lending Facility with the Group which expires on 31 March 2021. This agreement gives the Group the financial strength to continue to trade successfully as leader in its field for the coming year and beyond.

On behalf of the board of directors

T W Minett
Chief Executive
31 January 2020

Directors' report
for the year ended 31 March 2019

The directors present their report and the audited consolidated financial statements of the Group and individual financial statements of the Company for the year ended 31 March 2019.

Principal activities

The principal activities of the Group are the manufacture, distribution and sale of smokeless and other solid fuels. In addition the Group has significant activities in the sale and distribution of activated carbon products and the reactivation of spent activated carbon

The principal activity of the Company is to act as a parent company.

Directors

The directors of the Company who served during the year and up to the date of signing the financial statements are listed below:

R B Kendall	(Chairman)
D Wake	(resigned 28 September 2018)
T W Minett	
D Lamb	
J Sutton	(appointed 19 April 2018)

Qualifying third-party indemnity provisions

Indemnity provisions in respect of directors' liability have been in force in the period from the start of the financial year to the date of this report. All the Company's directors were covered by these provisions.

Charitable and political contributions

The Group made contributions for charitable purposes of £2,950 (2018: £nil) and made no political donations (2018: £nil) in the year. The Company made no charitable (2018: £nil) or political (2018: £nil) donations in the year.

Future developments

Details regarding future developments within the Group are disclosed within the Strategic report.

Financial instruments

Use of derivatives

The Group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The Group has interest rate exposure due to a number of debt instruments under which the payment of interest is based on variable rate. The Group uses interest rate swaps to fix interest rates and payments. Hedge accounting is used when certain criteria are met, as explained in the accounting policy in Note 1 to the financial statements.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The Group's and Company's investments are held at net asset value and are therefore not exposed to price risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses and require that deferred payment terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Group's and Company's debtors are shown in Note 17 to the financial statements.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk via revolving credit facilities and an asset based lending facility.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised liability, such as future interest payments on variable rate debt, or future transactions in foreign currencies. The Group manages these risks, where significant, by use of derivatives as explained above.

Post-balance sheet events

Details regarding post-balance sheet events are disclosed within the Strategic report.

Research and development

Details regarding the research and development activities of the Group are disclosed within the Strategic report.

Employment policies

Details regarding the employment policies of the Group are disclosed within the Strategic report.

Dividends

No dividends on ordinary shares have been declared or paid in the year ended 31 March 2019 (2018: £nil).

Independent auditors and disclosure of information to auditors

In the case of each director in office at the date of the Directors' report, so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Relevant information is defined as information needed by the Company's auditors in connection with preparing their report.

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the next general meeting.

On behalf of the board

T W Minett
Chief Executive
31 January 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed for the group and company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

On behalf of the board

J Sutton
Director
31 January 2020

Independent auditors' report to the members of CPL Industries Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, CPL Industries Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company balance sheets as at 31 March 2019; the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity, the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

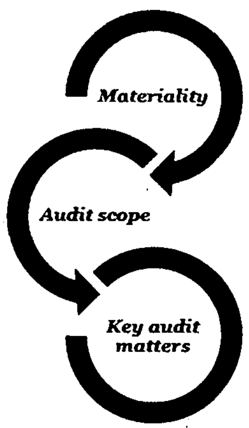
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: £0.6m (2018: £0.6m), based on 5% of a 3 year average of earnings before interest, tax, depreciation, exceptional items and amortisation ("EBITDA").
- Overall Company materiality: £0.1m (2018: £0.1m), based on 2% of total assets (capped as a result of group scoping).

- We identified eight reporting units, which in our view, required a full scope audit based on size and risk.
- The Group engagement team performed the audit procedures for each reporting in scope of our Group audit, which accounted for 95% of total Group revenues and 94% of EBITDA. In addition, the Group audit team performed analytical review procedures over a number of smaller reporting units. This provided a sufficient and appropriate basis for our opinion on the financial statements as a whole.

- Exceptional items (Group).
- Sales rebate balances (Group).
- Pension scheme liability assumptions (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report to the members of CPL Industries Group Limited continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Exceptional items (Group) Refer to page 30 for exceptional cost. This has been a key area of audit focus as there has been a number of one-off exceptional items in the financial statements. The total balance is material and inherently judgemental. The Group has had significant exceptional cost this year as a result of various events such as GMP equalisation for £1.3m, restructuring costs of £1.4m and impairment of fixed assets of £0.8m.	We obtained management's assessment of the exceptional cost and vouched a sample of these costs to supporting documentation. We then assessed if the cost fall within the definition of "exceptional cost" under the accounting standards. We challenged management's judgement on balances which fall outside the group's accounting policy. **Disclosure** We read the disclosures within the Annual Report in respect of exceptional cost, and based on our work, determined that they are consistent with accounting standards. **Conclusion** We did not identify any material differences from our audit procedures.
Sales rebate balances (Group) This has been a key area of audit focus because this balance is generally considered material in nature and the balance sheet entries include an element of judgement.	We performed year on year trend analysis over rebate accruals as percentage of sales and rebate charge as a percentage of sales. This was to provide comfort that rebate balances are moving in line with sales and the agreements in place with customers. We performed a look back test on the overall accruals balance recognised in 2018 and compared to the actual payments made in 2019. We substantively tested a sample of sales rebate accruals by vouching balances to agreed/signed rebate agreements. We held discussions with the commercial team to understand the approach to ensure completeness of rebate accruals. **Conclusion** We did not identify any material differences from our audit procedures.
Pension scheme liability assumptions (Group) We have focused on the valuation of the Group's defined benefit pension schemes because of the level of judgement required in determining the year end valuation. In addition, the size of the gross liabilities (17.2 million) within the schemes are significant and material. The net deficit position of the schemes at 31 March 2019 was £12.7 million.	We obtained the FRS102 valuation reports produced by the Group's independent actuaries. We used our own actuarial experts to assess the judgemental assumptions used within the reports to form the valuation of the pension schemes' liabilities, such as discount rate, inflation and mortality rates. We assessed the membership data used in valuing the schemes' liabilities and tested any significant changes since the last valuation. Our actuaries have tested the methodology and assumptions used in calculating this liability and we have noted no exceptions. **Disclosure** We read the disclosures within the Annual Report in respect of pensions, and, based on our work, determined that they are consistent with group's accounting policy. **Conclusion** We did not identify any material differences from our audit procedures.

Independent auditors' report to the members of CPL Industries Group Limited *continued*

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a Group finance function at its head office in Killamarsh, Sheffield which is responsible for the Group's reporting units. For each reporting unit we determined whether we required an audit of its reported financial information ('full scope'), or whether certain account balances of reporting units were required to be in the scope of our Group audit to address specific risk characteristics or to provide sufficient overall Group coverage of particular financial statement line items.

A full scope audit was required for eight entities determined as financially significant because they individually contribute more than 15% of the Group's EBITDA (on an absolute basis). All of the audit procedures have been performed by the Group audit engagement team.

In aggregate, our audit procedures accounted for 95% of Group turnover and 94% of EBITDA. In addition, the Group audit team performed analytical review procedures over a number of smaller reporting units. This included an analysis of year-on-year movements, at a level of disaggregation to enable a focus on higher risk balances and unusual movements. Those not subject to analytical review procedures were individually, and in aggregate, immaterial. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£0.6m (2018: £0.6m).	£0.1m (2018: £0.1m).
How we determined it	5% of a 3 year average of earnings before interest, tax, depreciation, exceptional items and amortisation ("EBITDA").	2% of total assets (capped as a result of Group scoping).
Rationale for benchmark applied	Based on the benchmarks used in the annual report, EBITDA is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that gross assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.1 million and £0.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £28,000 (Group audit) (2018: £30,500) and £6,000 (Company audit) (2018: £6,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

Independent auditors' report to the members of CPL Industries Group Limited *continued*

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept

Independent auditors' report to the members of CPL Industries Group Limited *continued*

or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
31 January 2020

Consolidated profit and loss account

for the year ended 31 March 2019

	Note	Before exceptional operating costs £'m	Exceptional operating costs £'m	2019 Total £'m	Before exceptional operating costs £'m	Exceptional operating costs £'m	2018 Total £'m
Turnover	3	**160.0**	**-**	**160.0**	166.7	-	166.7
Operating costs	4	**(158.2)**	**(3.0)**	**(161.2)**	(159.6)	(4.4)	(164.0)
(Loss) / gain on revaluation of Investment properties	13	**(0.4)**	**-**	**(0.4)**	0.5	-	0.5
Operating profit / (loss)		**1.4**	**(3.0)**	**(1.6)**	7.6	(4.4)	3.2
Net interest expense	8			**(2.5)**			(2.2)
(Loss) / profit before taxation	9			**(4.1)**			1.0
Tax on (loss) / profit	10			**-**			(0.6)
(Loss) / profit after taxation				**(4.1)**			0.4
(Loss) / profit for the financial year				**(4.1)**			0.4

All items dealt with in arriving at operating (loss) / profit above relate to continuing operations.

The notes to the financial statements on pages 20 to 57 form an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March 2019

	Note	2019 £'m	2018 £'m
(Loss) / profit for the financial year		**(4.1)**	0.4
Other comprehensive (expense) / income:			
Remeasurement of net defined benefit obligation	22	**(9.4)**	4.0
Repurchase of own shares	23, 31	**(0.7)**	-
Cash flow hedges			
Change in value of hedging instruments	25	**0.4**	(0.2)
Reclassifications to profit and loss	25	**(0.3)**	(0.1)
Currency translation differences		**-**	0.1
Total tax on components of other comprehensive income / (expense)	10	**1.5**	(0.7)
Other comprehensive (expense) / income for the year net of tax		**(8.5)**	3.1
Total comprehensive (expense) / income for the year		**(12.6)**	3.5

Group and Company balance sheets

as at 31 March 2019

	Note	Group 2019 £'m	Company 2019 £'m	Group As restated 2018 £'m	Company 2018 £'m
Fixed assets					
Intangible assets	12	**7.6**	**-**	8.1	-
Negative goodwill	12	**(0.2)**	**-**	(0.2)	-
Tangible assets	13	**40.9**	**-**	41.9	-
Investments	14	**0.5**	**37.2**	0.5	37.2
Retirement benefit in surplus	22	**4.5**	**-**	6.0	-
		53.3	**37.2**	56.3	37.2
Current assets					
Inventories	16	**30.0**	**-**	22.2	-
Debtors	17	**30.2**	**0.8**	36.9	1.3
Assets held for sale	18	**4.0**	**-**	-	-
Cash at bank and in hand		**3.2**	**-**	2.6	-
		67.4	**0.8**	61.7	1.3
Creditors: amounts falling due within one year	19	**(37.6)**	**(27.8)**	(39.4)	(20.6)
Net current assets / (liabilities)		**29.8**	**(27.0)**	22.3	(19.3)
Total assets less current liabilities		**83.1**	**10.2**	78.6	17.9
Creditors: amounts falling due after more than one year	20	**(44.2)**	**(8.6)**	(33.1)	(14.0)
Provisions for liabilities	21	**(5.6)**	**-**	(7.2)	-
Net assets excluding retirement benefit deficit		**33.3**	**1.6**	38.3	3.9
Retirement benefit in deficit	22	**(17.2)**	**-**	(9.6)	-
Net assets including retirement benefit deficit		**16.1**	**1.6**	28.7	3.9
Capital and reserves					
Called up share capital	23	**-**	**-**	-	-
Share premium account		**8.2**	**8.2**	8.2	8.2
Other reserves	24	**2.9**	**-**	2.9	-
Profit and loss account					
At 1 April		**17.6**	**(4.3)**	13.9	(3.2)
(Loss) / profit for the year attributable to the owners		**(4.1)**	**(1.6)**	0.4	(1.1)
Other changes in profit and loss account		**(8.5)**	**(0.7)**	3.3	-
		5.0	**(6.6)**	17.6	(4.3)
Total shareholders' funds		**16.1**	**1.6**	28.7	3.9

The financial statements on pages 15 to 57 were approved by the Board of Directors on 31 January 2020 and were signed on its behalf by:

J Sutton
Chief Financial Officer
CPL Industries Group Limited
Company Registration Number 7717350

Consolidated cash flow statement

for the year ended 31 March 2019

	Note	2019	2018
		£'m	£'m
Net cash from operating activities	26	**0.7**	4.9
Taxation paid		**(0.2)**	-
Net cash generated from operating activities		**0.5**	4.9
Cash flow from investing activities			
Purchase of other subsidiaries (net of cash acquired)	30	**(0.7)**	(1.3)
Purchase of tangible assets	13	**(8.1)**	(8.4)
Proceeds from sale of tangible assets		**-**	0.5
Interest received		**0.2**	0.1
Net cash used in investing activities		**(8.6)**	(9.1)
Cash flow from financing activities			
Drawdown of bank loans		**11.9**	6.3
(Repayment) / drawdown of finance leases		**(0.6)**	0.9
Redemption of ordinary shares	23	**(0.4)**	-
Interest paid		**(2.3)**	(1.1)
Net cash generated from financing activities		**8.6**	6.1
Net increase in cash and cash equivalents		**0.5**	1.9
Cash and cash equivalents at the beginning of the year		**2.6**	1.1
Exchange gains on cash and cash equivalents		**0.1**	(0.4)
Cash and cash equivalents at the end of the year		**3.2**	2.6
Cash and cash equivalents consist of:			
Cash at bank and in hand		**3.2**	2.6
Cash and cash equivalents		**3.2**	2.6

Consolidated statement of changes in equity
for the year ended 31 March 2019

	Called up share capital £'m	Share premium account £'m	Foreign exchange reserve £'m	Hedging reserve £'m	Capital redemption reserve £'m	Profit and loss account £'m	Total shareholders' funds £'m
Balance at 1 April 2017	-	8.2	0.1	0.1	2.9	13.9	25.2
Profit for the financial year	-	-	-	-	-	0.4	0.4
Other comprehensive income / (expense) for the year	-	-	0.1	(0.3)	-	3.3	3.1
Total comprehensive (expense) / income for the year	-	-	0.1	(0.3)	-	3.7	3.5
Balance at 31 March 2018	-	8.2	0.2	(0.2)	2.9	17.6	28.7

	Called up share capital £'m	Share premium account £'m	Foreign exchange reserve £'m	Hedging reserve £'m	Capital redemption reserve £'m	Profit and loss account £'m	Total shareholders' funds £'m
Balance at 1 April 2018	**-**	**8.2**	**0.2**	**(0.2)**	**2.9**	**17.6**	**28.7**
Loss for the financial year	**-**	**-**	**-**		**-**	**(4.1)**	**(4.1)**
Other comprehensive income / (expense) for the year	**-**	**-**	**-**	**0.1**	**-**	**(8.6)**	**(8.5)**
Total comprehensive (expense) / income for the year	**-**	**-**	**-**	**0.1**	**-**	**(12.7)**	**(12.6)**
Redemption of share capital in year (Note 23, Note 31)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2019	**-**	**8.2**	**0.2**	**(0.1)**	**2.9**	**4.9**	**16.1**

Company statement of changes in equity
for the year ended 31 March 2019

	Called up share capital £'m	Share premium account £'m	Foreign exchange reserve £'m	Hedging reserve £'m	Capital redemption reserve £'m	Profit and loss account £'m	Total shareholders' funds £'m
Balance at 1 April 2017	-	8.2	-	-	-	(3.2)	5.0
Loss for the financial year	-	-	-	-	-	(1.1)	(1.1)
Balance at 31 March 2018	-	8.2	-	-	-	(4.3)	3.9

	Called up share capital £'m	Share premium account £'m	Foreign exchange reserve £'m	Hedging reserve £'m	Capital redemption reserve £'m	Profit and loss account £'m	Total shareholders' funds £'m
Balance at 1 April 2018	**-**	**8.2**	**-**	**-**	**-**	**(4.3)**	**3.9**
Loss for the financial year	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Purchase of own shares (Note 23, Note 31)	**-**	**-**	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Balance at 31 March 2019	**-**	**8.2**	**-**	**-**	**-**	**(6.6)**	**1.6**

Notes to the financial statements
for the year ended 31 March 2019

1 Statement of accounting policies

Statement of compliance
The Group and individual financial statements of CPL Industries Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company is a private company limited by shares and is incorporated in England, United Kingdom. The address of its registered office is Westthorpe Fields Road, Killamarsh, Sheffield, S21 1TZ.

Basis of preparation including going concern
These consolidated and individual financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities at fair value. They are prepared in sterling, which is the functional currency of the Group, rounded to the nearest £0.1m.

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business and taking into account the refinancing of the Group's principal debt facilities post year end.

The Group's existing facilities were due for renewal on 31 March 2020. On 24 December 2019 the facilities were extended with amended covenants and restrictions put in place. The new facility is due for repayment on 31 March 2021.

After careful consideration the directors are satisfied that the Group has adequate financial resources and actions available to undertake as necessary to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements.

The Directors have prepared forecasts, covering at least the going concern period, which demonstrates that the Group will be able to maintain sufficient liquidity and profitability in order to comply with the covenants and limits of its banking arrangement. The directors have also considered a number of downside sensitivities and assessed what circumstances would be required in order for a breach to occur. The directors consider such circumstances to be highly unlikely to present themselves during the going concern period, however, in the event that they did, the directors have prepared further analyses which demonstrate the short-term mitigating actions and options available to them, including financial support from the shareholder, which could be put in place in order to preserve covenant compliance.

For this reason the directors continue to apply the going concern basis in preparing the financial statements.

The principal accounting policies, which have been applied consistently throughout the year, are set out below:

Basis of consolidation
The Group financial statements consolidate the financial statements of CPL Industries Group Limited and all its subsidiary undertakings made up to 31 March 2019. No profit and loss account is presented for CPL Industries Group Limited, as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the exemption from preparing a statement of cash

1 Statement of accounting policies continued

Exemptions for qualifying entities under FRS 102 continued
flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included within these financial statements, includes the Company's cash flows.

Business combinations and goodwill
Business combinations are accounted for under the purchase method, with the fair value of the assets, liabilities and contingent liabilities identified at the acquisition date. Goodwill recognised represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised within intangible assets and is eliminated by amortisation through the profit and loss account over its useful economic life (being the period over which the directors have assessed for each acquisition that benefits can be expected). Where the Group is unable to make a reliable estimate of its useful life, goodwill is amortised over a period not exceeding ten years.

Detailed impairment reviews are conducted where events or changes in circumstances indicate that the amortised carrying value of goodwill may not be recoverable. The impairment write down, which is charged to the profit and loss account in the period of review if it is considered permanent, is calculated by reference to the higher of the post-tax net realisable value and the value in use based on risk adjusted discounted cash flows.

Negative Goodwill
Negative goodwill arising on the acquisition of businesses is capitalised and eliminated by amortisation through the profit and loss account over the directors' estimate of its useful economic life, to a maximum of ten years.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

The Group has various sales channels, each requiring subtly different recognition. Retail sales are generally recognised upon despatch to the customer. Revenue recognition in respect of wholesale sales depends on the customer type and is either upon despatch to the customer or upon collection by the customer or agent.

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the Group.

Investments
Fixed asset investments are recorded at the aggregate of the fair value of the shares issued in connection with the acquisition, cash consideration and costs incidental to the acquisition, less any amounts written off for permanent diminution in value.

Tangible assets
Tangible assets are stated at historic purchase cost (or deemed cost) or valuation less accumulated depreciation. The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition, or in the case of assets included in acquisitions, their fair value.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, after providing for any permanent diminution in value and taking into account the estimated residual value of each asset, evenly over the shorter of the estimated life of the activity and the estimated life of the asset.

1 Statement of accounting policies continued

Tangible assets continued

The principal useful lives used for this purpose are:

Freehold land and buildings and long leasehold land and buildings	50 years or over period of lease if less than 50 years (Freehold land is not depreciated)
Industrial buildings	40 years or over period of lease if less than 40 years
Plant, machinery and equipment	3 - 25 years
Motor vehicles	5 years

The estimated lives of individual activities are reviewed from time to time and are amended when circumstances change.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software	3 - 5 years

Amortisation is charged to operating costs in the profit and loss account.

Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Investment properties

Certain of the Group's properties are held for long-term investment. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties whose fair value can be measured reliably are measured at fair value, with the valuation reassessed on an annual basis. Movements in fair value are recognised in the profit and loss account.

Investment properties are transferred to Assets Held for Sale at the point they are being marketed for sale and a sale is likely within the next twelve months.

Research and development

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred. Tangible assets purchased for the purposes of aiding research and development are capitalised and depreciated over the estimated useful life of the asset.

Operating and finance leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a consistent periodic rate of charge on the remaining balance outstanding at each accounting year. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Inventories - raw materials and consumable stores

Stocks of raw materials, including materials in transit, are valued at the lower of cost to the operating entity holding the stock prior to processing and net realisable value. Stocks of consumable stores are generally

1 Statement of accounting policies continued

Inventories - raw materials and consumable stores continued
valued at standard purchase prices. A specific provision is held to cover latent obsolescence, damages and redundant stocks.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

Inventories - finished goods and goods for resale
Finished goods and goods for resale are valued at the lower of the cost at the time of production or the cost of purchase, and the net realisable value, at the balance sheet date. In the case of manufactured products, cost includes all direct expenditure and production costs. To arrive at net realisable value, undistributed stocks of manufactured fuels are valued at current net selling price less specific provisions for loss of weight or degradation in size and quality.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Current taxation
Current tax is the expected amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred taxation
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Employee benefits
The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service arises.

Defined contribution pension plan
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in a group personal pension plan arrangement. The pension cost charge disclosed in Note 21 represents contributions payable by the Group to the plan.

Defined benefit pension plans
The Group also operates a number of defined benefit pension schemes, the assets of which are held separately from those of the Company in funds independently administered by the respective trustee boards. All defined benefit pension schemes operated by the Group are closed to new entrants and the defined benefit section of the CPL Industries Pension Plan has been closed to future accruals of benefit since 30 April 2004.

1 Statement of accounting policies continued

Employee benefits continued
The funds are valued every three years by a professionally qualified independent actuary with the rates of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates.

Liabilities and surpluses recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. A surplus is only recognised to the extent that it is recoverable through reduced contributions in the future or through refunds from the plan.

The defined benefit obligation is measured using the projected unit actuarial method and is discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit obligation'.

The cost of the defined benefit plan, recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit obligation arising from employee service during the period; and

(b) the cost of plan introductions, benefit charges, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as 'Other finance cost' within 'Net interest expense'.

Annual bonus plans
The Group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and when a reliable estimate of the obligation can be made.

Foreign currencies
Functional and presentation currency
The Group financial statements are presented in pounds sterling, rounded to the nearest £0.1m.

The Company's functional and presentation currency is also the pound 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.

1 Statement of accounting policies continued

Foreign currencies continued
Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'Net interest expense'. All other foreign exchange gains and losses are presented in the profit and loss within 'Operating costs'.

Translation
The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates at the year end. Exchange adjustments arising from the re-translation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

Concessionary fuel
The Group accrues for the cost of providing concessionary fuel or a cash alternative to its employees and their dependants, in retirement, over their working lives.

Exceptional items
Exceptional items are disclosed separately in the financial statements where it is necessary in order to provide further understanding of the financial performance of the Group. They are material non-recurring items of income or expense that have been shown separately due to the significance of their nature or amount, and are presented within the line items to which they best relate.

Borrowing costs
All interest and other borrowing costs are expensed as incurred, other than issue costs incurred on the raising of external finance which are capitalised and amortised over the life of the associated financial instrument at a constant rate on the carrying amount. On refinancing, the unamortised finance issue costs are written off to the profit and loss account in respect of the loans repaid.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

Related party transactions
The Group discloses transactions with related parties which are not wholly owned by the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary in order to understand the effect of the transactions on the Group financial statements.

Financial instruments
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method. At the end of each reporting period basic financial assets are assessed for impairment. If basic financial asset is impaired, the carrying value is reduced and an impairment charge is recognised in the profit and loss account.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the profit and loss account, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Statement of accounting policies continued

Financial instruments continued
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
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including foreign exchange contracts and interest rate swaps, are not basic financial instruments.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. Changes in the fair value of derivatives are recognised in the profit and loss account in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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

Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Hedging arrangements
The Group applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

The Group also applies hedge accounting for transactions entered into in order to manage the cash flow exposure of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires; no longer meets the hedging criteria; the forecast transaction is no longer probable; the hedged debt instrument is derecognised or the hedging instrument is terminated.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1 Statement of accounting policies continued

Net debt
The Group defines net debt as being external debt net of any cash and cash equivalents. Balances with shareholders and other related parties are not included within net debt.

Preference shares
Preference shares that provide for a mandatory redemption by the issuer or for a fixed or determinable amount at a fixed date or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are treated as financial liabilities. Initial measurement of such liabilities is at the transaction price, including any transaction costs, with subsequent measurement at amortised cost using the effective interest method.

The interest expense on the liability element is calculated using the effective interest method and charged to profit or loss each year.

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Key accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme
The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

As a result of the ruling in the Lloyds Bank High Court case on 26 October 2018, it has become necessary to make an allowance for the impact of GMP equalisation in the year to 31 March 2019. The impact has been calculated as 0.8% to the liabilities of the CPL scheme, 0.1% to the liabilities of the IWCSS scheme and 1.1% to the liabilities of the IWMPS scheme. This impact has been calculated under option "C2" as set out in the Lloyds judgement.

Fair values on acquisitions
The fair value of tangible and intangible assets acquired on acquisitions involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including revenue growth, sales mix and volumes, rental values and increases in customer attrition rates.

Useful life of goodwill and intangible assets
The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business; the expected useful life of the cash generating units to which the goodwill is attributed; any legal, regulatory or contractual provisions that can limit the useful life; and assumptions that market participants would consider in respect of similar businesses.

2 Critical accounting judgements and estimation uncertainty continued

Impairment of non-current assets
Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows include neither restructuring activities to which the Group is not yet committed, nor to significant future investments which would enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Provisions
Provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Taxation
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 10.

3 Turnover

Analysis of turnover by destination

	2019	2018
	£'m	£'m
United Kingdom	**123.3**	129.7
Republic of Ireland	**20.3**	21.0
Rest of Europe	**12.3**	11.8
Rest of the World	**4.1**	4.2
	160.0	166.7

Analysis of turnover by origin

	2019	2018
	£'m	£'m
United Kingdom	**128.9**	136.3
Republic of Ireland	**21.2**	20.0
Rest of Europe	**8.9**	10.1
Rest of the World	**1.0**	0.3
	160.0	166.7

All turnover relates to the sale of goods.

4 Operating costs

	2019	2018
	£'m	£'m
Raw materials and consumables stores	**100.6**	104.5
Employee costs (Note 7)	**25.8**	25.2
Depreciation (Note 13)	**4.4**	3.4
Amortisation of intangible assets (Note 12)	**1.1**	1.0
Research and development	**0.8**	0.6
Other operating charges and other external charges	**25.5**	25.2
Other operating income	**-**	(0.3)
	158.2	**159.6**
Exceptional operating costs (Note 5)	**3.0**	4.4
Operating costs	**161.2**	164.0

5 Exceptional operating costs

	2019	2018
	£'m	£'m
Impairment of tangible assets	**0.8**	0.1
Impact of GMP on pension schemes (Note 22)	**1.3**	-
Restructuring, redundancy & other	**1.4**	1.3
Regulatory fine & associated costs	**-**	3.0
Revision of estimate	**(0.5)**	-
	3.0	4.4

During the year, a provision of £0.8m for the impairment of tangible fixed assets was raised in respect of assets held at the former investment property in South Wales (£0.4m) and certain equipment in the activated carbons business (£0.4m).

Following the decision of the High Court in the Lloyds Banking Group case in October 2018, benefits will need to be equalised for the effect of unequal Guaranteed Minimum Pensions ("GMP") between men and women. Professionally qualified, independent actuaries have assessed the impact of this requirement on the plans which the Group operates (i.e. the CPL Industries Pension Plan, Industry Wide Coal Staff Superannuation Scheme and the Industry Wide Mineworkers' Pension Scheme) using the "C2" method, as permitted by the judgement. This has resulted in a past service charge of £1.3m (2018: £nil) being recognised as an exceptional cost in the profit and loss account.

During the year the Group incurred costs associated with restructuring, redundancy and other exceptional costs of £1.4m (2018: £1.3m).

During the year the Group revised its estimate of the value of coal fines produced in the course of the manufacturing process, which resulted in a credit of £0.5m (2018: £nil).

In the year to 31 March 2018 the Group was fined £2.8m by the Competition and Markets Authority in relation to historical events in 2010/11, regarding the supply of solid fuel and charcoal to national retailers.

6 Directors' emoluments

Directors	**2019**	2018
	£'m	£'m
Aggregate emoluments	**1.0**	1.0
	1.0	1.0

Highest paid director	**2019**	2018
	£'000	£'000
Aggregate emoluments	**562**	597

Aggregate emoluments of the highest paid director includes £102,000 (2018: £102,000) under an incentive programme for achieving certain objectives.

Aggregate emoluments also include compensation for loss of office of £30,000 paid to D Wake, following his resignation as a director. The Company also entered into an agreement to buy back the loan notes issued to D Wake – see the Post-Balance Sheet Events section of the Strategic Report (page 6).

Included within aggregate emoluments are total contributions on behalf of directors into the Group's defined contribution scheme of £59,000 (2018: £nil). No retirement scheme benefits are accruing to any directors under the Group's defined benefit scheme.

Key management compensation
Key management consists of the directors, therefore all compensation paid or payable to key management for employee services is disclosed above. Key management compensation for the Company is £nil (2018: £nil).

7 Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year was:

	2019 Number	2018 Number
Production	**120**	112
Selling and distribution	**428**	431
Administration	**121**	120
	669	663

	2019 £'m	2018 £'m
Staff costs (for the above persons)		
Wages and salaries	**21.9**	21.6
Social security costs	**2.3**	2.1
Other pension costs (Note 22)	**1.6**	1.5
	25.8	25.2

The Company does not have any employees (2018: None).

8 Net interest expense

	2019 £'m	2018 £'m
Bank loans	**(1.5)**	(1.1)
Preference share dividends	**(0.4)**	(0.3)
Loan note interest	**(0.7)**	(0.7)
Other finance cost (Note 22)	**(0.1)**	(0.2)
Interest payable and similar charges	**(2.7)**	(2.3)
Bank and other interest receivable	**0.2**	0.1
Interest receivable and similar income	**0.2**	0.1
Net interest expense	**(2.5)**	(2.2)

9 (Loss) / profit before taxation

	2019	2018
	£'m	£'m
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	**1.1**	1.0
Depreciation charge on tangible assets	**4.4**	3.4
Revaluation of investment properties	**0.4**	(0.5)
Impairment of tangible assets	**0.8**	-
(Profit)/loss on disposal of tangible assets	**-**	(0.2)
Research and development	**0.8**	0.6
Operating lease charges	**5.3**	5.5

	2019	2018
	£'000	£'000
Services provided by the Company's auditors and its associates:		
Fees payable to the Company's auditors for the audit of:		
- the parent company, and the Group's consolidated financial statements	**28**	26
- the Group's subsidiary company financial statements	**132**	109
Fees payable to the Company's auditors for other services:		
Tax compliance and advisory services	**186**	168
Other services	**131**	72

10 Tax on (loss) / profit

Tax expense included in profit or loss	**2019**	2018
	£'m	£'m
Current Tax:		
United Kingdom corporation tax on profits of the year	**-**	-
Foreign corporation tax on profits of the year	**0.2**	0.2
Total current tax	**0.2**	0.2
Deferred Tax:		
Origination and reversal of timing differences:		
Current year	**(0.3)**	0.5
Prior year	**0.1**	-
Impact of change in tax rate	**-**	(0.1)
Total deferred tax	**(0.2)**	0.4
Tax on profit	**-**	0.6

Tax income included in other comprehensive income	**2019**	2018
	£'m	£'m
Deferred Tax:		
Origination and reversal of timing differences	**(1.5)**	0.7
Total tax income included in other comprehensive income	**(1.5)**	0.7

10 Tax on (loss) / profit continued

The tax charge for the year is lower than (2018: higher than) the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£'m	£'m
(Loss) / profit before taxation	**(4.1)**	1.0
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	**(0.8)**	0.2
Effects of:		
Brought forward tax losses utilised	**(0.4)**	(0.7)
Other timing differences	**0.3**	0.5
Expenses not deductible for tax purposes	**0.8**	0.5
Pension deficit contribution made in the period	**(0.3)**	(0.3)
Pension cost relief in excess of pension cost charge	**-**	0.3
Adjustment in respect of anti-hybrid legislation	**0.1**	-
Adjustment of prior year deferred tax estimate	**0.1**	-
Impact of foreign tax rates	**0.2**	0.2
Re-measurement of deferred tax - change in UK tax rate	**-**	(0.1)
Tax on (loss) / profit	**-**	0.6

Deferred taxation

The Group recognises a deferred tax asset in relation to non-trade losses of £1.7m (2018: £1.6m) in one of the subsidiaries, CPL Industries Limited. The amount recognised in the year is equal to the amount expected to be recovered against future profits. A further asset of £3.9m (2018: £5.0m) remains unrecognised. The Group also recognises further deferred tax assets of £0.9m (2018: £0.8m) relating to trade losses in CPL Fuels Ireland Limited and CPL Distribution Limited.

Further deferred tax assets were recognised in relation to the pension deficit £2.9m (2018: £1.6m) and other timing differences of £0.1m (2018: £0.1m). A deferred tax asset in respect of derivative financial instruments of less than £0.1m (2018: £0.1m) was also recognised.

Tax rate change

In October 2015, the UK Corporation tax rate was changed from 20% to 19% effective from 1 April 2017. In September 2016 a further reduction to 17% effective from 1 April 2020 was fully enacted. Deferred tax balances for the year ended 31 March 2019 are measured at the rate that is expected to apply to the reversal of the timing difference.

11 Loss for the financial year

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss after taxation for the financial year, including dividends receivable was £1.6m (2018: £1.1m).

12 Intangible assets

The Company has no intangible assets (2018: £nil). Details relating to the Group are as follows:

	Goodwill	Software	Total	Negative Goodwill
	£'m	£'m	£'m	£'m
Cost				
At 1 April 2018 as restated	9.9	1.5	11.4	(0.2)
Additions (Note 28)	0.6	-	0.6	-
At 31 March 2019	**10.5**	**1.5**	**12.0**	**(0.2)**
Accumulated amortisation				
At 1 April 2018 as restated	2.0	1.3	3.3	-
Charge for year	1.1	-	1.1	-
At 31 March 2019	**3.1**	**1.3**	**4.4**	**-**
Net book value				
At 31 March 2019	**7.4**	**0.2**	**7.6**	**(0.2)**
At 31 March 2018 as restated	7.9	0.2	8.1	(0.2)

The amortisation charge in respect of software amounted to less than £0.1m in the year.

13 Tangible assets

The Company has no tangible assets (2018: £nil). Details of those relating to the Group are as follows:

	Freehold land and buildings	Long leasehold land and buildings	Industrial buildings	Plant, machinery and equipment	Motor vehicles	Assets under construction	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cost							
At 1 April 2018	9.5	1.2	3.0	90.5	1.2	4.5	109.9
Additions	1.0	-	-	7.1	-	-	8.1
Acquisitions	0.3	-	-	0.1	-	-	0.4
Disposals	-	-	-	(0.1)	(0.1)	-	(0.2)
Foreign exchange	-	-	-	(0.3)	-	-	(0.3)
Transfer out	(4.0)	-	-	-		-	(4.0)
Transfer in	-	-	-	0.5	-	-	0.5
Reclassifications	-	-	-	4.5	-	(4.5)	-
At 31 March 2019	**6.8**	**1.2**	**3.0**	**102.3**	**1.1**	**-**	**114.4**
Accumulated depreciation							
At 1 April 2018	1.9	0.7	2.6	62.2	0.6	-	68.0
Charge for year	0.1	-	0.1	3.9	0.3	-	4.4
Impairment	0.4	-	-	0.8	-	-	1.2
Disposals	-	-	-	-	(0.1)	-	(0.1)
At 31 March 2019	**2.4**	**0.7**	**2.7**	**66.9**	**0.8**	**-**	**73.5**
Net book value							
At 31 March 2019	**4.4**	**0.5**	**0.3**	**35.4**	**0.3**	**-**	**40.9**
At 31 March 2018 as restated	7.6	0.5	0.4	28.3	0.6	4.5	41.9

Assets under construction at 31 March 2018 related to the construction of carbon regeneration facilities at Immingham, all of which were fully commissioned by 31 March 2019.

During the year, impairment write-downs were made as follows:

	2019	2018
	£'m	£'m
Plant and machinery located at the former investment property in South Wales	**0.4**	-
Plant and machinery in the activated carbons business	**0.4**	-
	0.8	-

The impairment charge in respect of the former investment property in South Wales is disclosed as a loss on revaluation of investment properties in the consolidated profit and loss account

The depreciation charge for the year in respect of long leasehold land and buildings was less than £0.1m.

Included within the net book value of freehold land and buildings in 2018 was £4.4m in relation to investment properties held at fair value. The Group has decided to proceed with the sale of these properties and has agreed a sale price of £4.0m. As a result, the Group has recognised a loss on revaluation of £0.4m (2018: £0.5m gain) in respect of these properties and has transferred them to "Assets held for sale" in current assets at the anticipated sale value of £4.0m. The historic cost of the investment properties is £3.9m.

During the year the Group changed its accounting policy in respect of press tyres used in the manufacturing process. Previously classified as consumable inventory, these items, valued at £0.5m at 1 April 2018,are now capitalised in plant, machinery & equipment and are depreciated over their expected useful economic lives (between 2 and 20 years). As the net impact of this change on reported operating profit is negligible, the 2018 comparative figures have not been restated.

13 Tangible assets continued

The net carrying amount of assets held under finance leases included in plant, machinery and equipment is £4.9m (2018: £5.2m). Depreciation charged during the year in relation to these assets amounted to £0.4m (2018: £0.1m).

14 Investments

The Group has a fixed asset investment as follows:

	£'m
Cost and net book value	
At 1 April 2018	0.5
At 31 March 2019	**0.5**

The Group's fixed asset investment represents its 10.0% interest in Ingelia SL, a Spanish legal entity.

The Company has fixed assets investments as follows:

	£'m
Cost and net book value	
At 31 March 2018	37.2
At 31 March 2019	**37.2**

The Company's fixed asset investment represents its 100% interest in CPL Industries Holdings Limited, a company incorporated in England & Wales, which in turn has interests in other Group undertakings at cost (Note 15).

Notes to the financial statements continued

for the year ended 31 March 2019

15 Interests in Group undertakings

The more significant undertakings owned by the Group and included in the consolidation are as follows:

Principal operating subsidiaries incorporated in the United Kingdom:

Name of undertaking	Type of shares held	Proportion of nominal value of issued shares held by the Group %	Country of incorporation
CPL Industries Holdings Limited	£0.01 ordinary shares	100*	England & Wales
CPL Industries Limited	£1.00 ordinary shares	100	England & Wales
CPL Industries (EMEA) Limited	£1.00 ordinary shares	100	England & Wales
Coal Products Limited	£1.00 ordinary shares	100	England & Wales
CPL Distribution Limited	£1.00 ordinary shares	100	England & Wales
Carbon Link Limited	£1.00 ordinary shares	100	England & Wales
Walter H Feltham & Son Limited	£1.00 ordinary shares	100	England & Wales
Castletown Fuels Limited	£1.00 ordinary shares	100	Isle of Man
CPL France Limited	£1.00 ordinary shares	100	England & Wales
CPL Industries Latvia Limited (formerly CPL Fuels Limited)	£1.00 ordinary shares	100	England & Wales
CPL Trading Limited (formerly CPL British Fuels Limited)	£1.00 ordinary shares	100	England & Wales
CPL Icon Processing Limited (formerly CPL Energy Limited)	£1.00 ordinary shares	100	England & Wales

* = shares held directly by the Company

Principal operating subsidiaries incorporated outside the United Kingdom:

Name of undertaking	Type of shares held	Proportion of nominal value of issued shares held by the Group %	Country of incorporation
CPL Fuels Ireland Limited	€1.00 ordinary shares	100	Ireland
GalaQuim Proteccion Medioambiente S.L.	€1.00 ordinary shares	90	Spain
CPL Cardek (PTY) Limited	ZAR 1.00 ordinary shares	100	South Africa
SPRL CPL Belgium	€1.00 ordinary shares	100	Belgium
NV Kolengroothandel Gijsen	€49.60 ordinary shares	100	Belgium
BVBA Antraco	€31.00 ordinary shares	100	Belgium
SIA Wood4U	€1.00 ordinary shares	100	Latvia

15 Interests in Group undertakings continued

In addition to the above undertakings, the Group also owns a number of dormant subsidiaries which are included in the consolidation but which do not have a significant impact on the consolidated financial statements.

The directors believe that the book value of investments is supported by their underlying net assets at the balance sheet date.

The registered office address of all undertakings incorporated in England & Wales is Westthorpe Fields Road, Killamarsh, Sheffield, United Kingdom, S21 1TZ.

The registered office of Castletown Fuels Limited is Balthane Industrial Estate, Ballasalla, Isle of Man, IM9 2AJ.

The registered office of CPL Fuels Ireland is 1 Jocelyn Place, Dundalk, County Louth, Ireland.

The registered office of GalaQuim Proteccion Medioambiente S.L. is Calle López de Hoyos 155, Planta 2ª, Puerta 6, 28002 Madrid, Spain.

The registered office of CPL Cardek (PTY) Limited is 2 Eglin Road, Sunninghill, Johannesburg 2157, South Africa.

The registered office of SPRL CPL Belgium, BVBA Antraco and NV Kolengroothandel Gijsen is Rue Royale 97, 1000 Brussels, Belgium.

The registered office of SIA Wood4U is Skolas iela 30 – 2, 1010 Riga, Latvia.

16 Inventories

	Group 2019 £'m	**Company 2019 £'m**	Group 2018 £'m	Company 2018 £'m
Raw materials and consumables	**9.4**	-	6.7	-
Finished goods and goods for resale	**20.6**	-	15.5	-
	30.0	-	22.2	-

Inventories are stated after provisions for impairment of £0.6m (2018: £0.8m).

2019 raw materials include £0.6m in respect of coal fines valued for the first time this year, following a change of accounting estimate.

Prior year raw materials include £0.5m in respect of press tyres, which were reclassified as tangible fixed assets at 1 April 2018 following a change in accounting policy (see Note 13).

17 Debtors

	Group 2019 £'m	Company 2019 £'m	Group 2018 £'m	Company 2018 £'m
Trade debtors	**20.5**	**-**	28.1	-
Other debtors	**0.2**	**-**	0.6	-
Directors' loans	**1.7**	**-**	2.0	-
Corporation tax	**0.8**	**-**	0.7	-
Group relief receivable	**-**	**0.8**	-	1.3
Derivative financial instruments (Note 23)	**0.2**	**-**	0.2	-
Deferred tax	**5.6**	**-**	4.2	-
Prepayments and accrued income	**1.2**	**-**	1.1	-
	30.2	**0.8**	36.9	1.3

In January 2010 shareholder approved loans were made by CPL Industries Limited to two directors, T W Minett and D Wake, in connection with the acquisition of shares in CPL Industries Holdings Limited. A loan to D Wake was made in January 2014 in connection with the acquisition of shares in the Company. A further loan of £1.4m was made to T W Minett in June 2014. Interest is payable at HM Revenue & Customs' official rate of interest and is settled annually. During the year, the balance owed by D Wake was settled in full. The balance owed from T W Minett 31 March 2019 was £1,704,709 (2018: £1,663,131).

Deferred tax includes £4.9m (2018: £3.0m) falling due after more than one year.

18 Assets held for sale

	Group 2019 £'m	Company 2019 £'m	Group 2018 £'m	Company 2018 £'m
Freehold property held for sale	**4.0**	**-**	-	-
	4.0	**-**	-	-

Assets held for sale are the former investment properties in South Wales, which were transferred from Tangible assets during the year (see Note 13). The Group has received offers to purchase from third parties and is at an advanced stage in negotiating the transaction.

19 Creditors: amounts falling due within one year

	Group 2019 £'m	Company 2019 £'m	Group 2018 £'m	Company 2018 £'m
Trade creditors	**22.0**	**-**	24.1	-
Amounts owed to group undertakings	**-**	**26.1**	-	19.2
Loan Notes	**0.3**	**0.3**	-	-
Preference dividend payable	**3.4**	**-**	3.0	-
Other creditors	**0.9**	-	1.0	-
Corporation Tax	**0.2**	-	0.2	-
Other taxation and social security	**2.9**	**-**	3.4	-
Finance leases	**0.7**	**-**	0.7	-
Derivative financial instruments (Note 23)	**0.1**	**-**	0.4	-
Accruals and deferred income	**7.1**	**1.4**	6.6	1.4
	37.6	**27.8**	39.4	20.6

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

20 Creditors: amounts falling due after more than one year

Borrowings and other creditors	Group 2019 £'m	Company 2019 £'m	Group 2018 £'m	Company 2018 £'m
Amounts falling due between one and five years				
Loan notes	**0.2**	**0.2**	0.5	0.5
Other creditors	**0.1**	**-**	-	-
Bank loans	**30.2**	**0.5**	18.3	5.6
Finance lease	**3.4**	**-**	4.0	-
	33.9	**0.7**	22.8	6.1
Amounts falling due after more than five years (non-instalment)				
Loan notes	**7.9**	**7.9**	7.9	7.9
Preference shares	**2.4**	**-**	2.4	-
	10.3	**7.9**	10.3	7.9
Total creditors falling due after more than one year	**44.2**	**8.6**	33.1	14.0

The Group has a £25.0m working capital facility provided by Lloyds Commercial Finance Limited, which commenced in April 2011 and which has a twelve month notice period.

The Group has a £30.0m revolving credit facility with Lloyds Bank plc. The loan is secured by a fixed and floating charge over all assets. Post year-end the Group agreed a new revolving credit facility with a maturity date of 31 March 2021. As at 31 March 2019 the Group had £9.3m (2018: £18.4m) drawn under the revolving credit facility, this amount is stated net of the £0.1m (2018: £0.1m) debt costs paid on the refinancing.

CPL Industries Holdings Limited issued £5.3m of cumulative redeemable preference shares on 12 May 2006 for cash. The Group subsequently redeemed £2.9m of the preference shares in December 2013 resulting in the creation of a capital redemption reserve. The preference shares are redeemable at par value at the Company's discretion and carry a coupon rate of LIBOR plus 6%. The remaining dividend arrears on the preference shares at 31 March 2019 of £3.4m (2018: £3.0m) are disclosed in creditors due within one year (Note 19). The preference shares are generally non-voting and have preferential rights to return of capital on winding up. The Company can redeem the preference shares subject to certain provisions, at any time. The preference shares are automatically redeemable on the listing of the Company. The preference shareholders receive dividends in priority to the holders of any other shares in the capital of the Company.

The Company issued £8.4m of 8% interest bearing loan notes on 22 March 2013 of which £7.9m are redeemable on 22 March 2033. Following the agreement with D Wake (see below) £0.5m are redeemable between 1 May 2019 and 1 May 2020. The loans notes are in favour of VCP Jet Luxco Sarl, T W Minett and D Wake. At the year-end T W Minett held £1.4m of the loan notes and D Wake held £0.5m of loan notes. Interest accrued on the loan notes was £1.4m (2018: £1.4m) at the end of the year. Loan note interest payments of £0.7m were made during the year (2018: £nil).

During the year the Company reached an agreement with D Wake for the repurchase of the loan notes held by him. The agreed total consideration was £571,500, payment of which is to be made in three equal tranches in the period between May 2019 and May 2020. The first tranche of £190,500 was paid in May 2019.

20 Creditors: amounts falling due after more than one year continued

Finance leases
The future minimum finance lease payments are as follows:

	Group 2019 £'m	Company 2019 £'m	Group 2018 £'m	Company 2018 £'m
Within one year	**0.8**	-	0.8	-
Later than five years	**3.6**	-	4.2	-
Total gross payments	**4.4**	-	5.0	-
Less: Finance charges	**(0.3)**	-	(0.3)	-
Carrying amount of liability	**4.1**	-	4.7	-

21 Provisions for liabilities

Provisions for liabilities

Group	Concessionary fuel in retirement £'m	Property £'m	Other provisions £'m	Deferred tax £'m	Total £'m
At 1 April 2018	0.8	1.1	2.8	2.5	7.2
Amounts created during the year	-	0.2	-	-	0.2
Amounts utilised during the year	-	(0.2)	(1.4)	(0.2)	(1.8)
At 31 March 2019	0.8	1.1	1.4	2.3	5.6

Concessionary fuel in retirement
The Group has an obligation to certain former employees to provide concessionary solid fuel in retirement. This provision is based on the advice of actuaries and updated annually. The principal assumptions made concerning the amounts that may be required to settle the obligations are as follows:

- discount rates used are based upon the 15 year corporate bond rate adjusted for long term inflation, assumed to be 0.5% (2018: 0.5%);
- the life expectancy at the age of 65 is 22 years for men and 24 years for women.

Property
The Group has a number of leasehold properties which are vacant or partly sublet. Provision has been made for the residual lease commitments, together with other outgoings, for the period of the leases in which these commitments are estimated to accrue.

Regular assessments of the condition of the Group's leased properties are carried out and provision is made for the anticipated cost of returning the properties to their condition at the commencement of the lease. The provision will continue to be utilised as properties are vacated or require repair.

Other provisions
The other provisions are in respect of a fine by the Competition and Markets Authority in relation to historical events in 2010/11, regarding the supply of solid fuel and charcoal to national retailers.

Deferred tax
The provision for deferred tax comprises pensions surplus £0.8m (2018: £1.0m) and fair value adjustments in relation to property £1.5m (2018: £1.5m).

Company
The Company has no provisions for liabilities and charges (2018: £nil).

22 Pension and similar obligations

The Group operates or contributes to a number of pension schemes in the United Kingdom. The assets of all pension schemes are held separately from those of the Group. Pension costs of defined benefit schemes are assessed in accordance with the advice of professionally qualified independent actuaries.

Defined contribution schemes

The Group contributes to a number of defined contribution pension schemes. All new employees of the Group are offered admittance to the Company's defined contribution scheme which is managed by Legal & General.

Pension costs for defined contribution schemes are as follows:

	Group 2019 £'m	**Company 2019 £'m**	Group 2018 £'m	Company 2018 £'m
Defined contribution schemes	**1.3**	**-**	1.2	-

Defined benefit schemes

The Group operates three defined benefit schemes, as set out below:

- Industry Wide Coal Staff Superannuation (IWCSS) Scheme ("IWCSS")
- Industry Wide Mineworkers Pension (IWMP) Scheme ("IWMP")
- CPL Industries Pension Plan ("CPL")

All the above schemes have been closed to new entrants since 1999. They are all funded schemes based on final salary and are administered by independent trustees, who are responsible for ensuring that the schemes are sufficiently funded to meet current and future obligations.

The Group has maintained ongoing deficit reduction contributions to eliminate scheme deficits. The Group paid normal ongoing contributions to the defined benefit schemes of £0.3m (2018: £0.4m) and paid additional deficit reduction contributions of £1.6m (2018: £1.8m).

The defined benefit section of the CPL Industries Pension Plan has been closed to future accruals of benefit since 30 April 2004. This does not affect pension benefits earned to that date and all members of this scheme were invited to join the defined contribution section of the CPL Industries Pension Plan. The IWCSS and IWMP Schemes are closed to new entrants.

The calculations for inclusion of amounts in the financial statements have been based on the following valuation dates updated to 31 March 2019 by professionally qualified independent actuaries:

IWCSS Scheme	31 December 2018
IWMP Scheme	31 December 2018
CPL Scheme	31 March 2017

22 Pension and similar obligations continued

The major assumptions used by the actuaries were:

	2019		2018	
	CPL Scheme	**IW Schemes**	CPL Scheme	IW Schemes
Discount rate	**2.30%**	**2.40%**	2.55%	2.60%
Rate of increase in salaries	**n/a**	**3.20%**	n/a	3.10%
Rate of increases of inflation linked pensions in payment	**3.20%**	**3.20%**	3.10%	3.10%
Inflation assumption	**3.20%**	**3.20%**	3.10%	3.10%

The mortality assumptions used were as follows:

The mortality assumptions used were as follows:

	2019 Years	2018 Years
Longevity at age 65 for current pensioners:		
- Men	**19.1 - 21.6**	19.3 – 21.8
- Women	**22.3 - 23.5**	22.6 – 23.7
Longevity at age 65 for future pensioners:		
- Men	**20.2 - 21.9**	20.5 – 22.1
- Women	**23.6 - 24.7**	23.8 – 24.9

Following the decision of the High Court in the Lloyds Banking Group case in October 2018, benefits will need to be equalised for the effect of unequal Guaranteed Minimum Pensions ("GMP") between men and women. Professionally qualified, independent actuaries have assessed the impact of this requirement on all the plans which the Group operates using the "C2" method, as permitted by the judgement. This has resulted in a total past service charge of £1.3m (2018: £nil) being recognised as an exceptional cost in the Group's profit and loss account:

Impact of GMP	**2019 Group £m**	2018 Group £m
CPL Scheme	**(1.0)**	-
IWCSS Scheme	**(0.2)**	-
IWMPS Scheme	**(0.1)**	-
	(1.3)	-

22 Pension and similar obligations continued

Reconciliation of scheme assets and liabilities – Schemes in surplus at 31 March 2019

Both the IWCSS and the IWMP Schemes reported a net surplus at the year-end. The overall net surplus of £4.5m (2018: £6.0m), which is detailed below, is shown separately in the balance sheet.

	IWCSS			IWMPS			TOTAL SCHEMES IN SURPLUS		
	Assets	Obligations	(Deficit) / Surplus	Assets	Obligations	(Deficit) / Surplus	Assets	Obligations	(Deficit) / Surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2017	35.2	(35.7)	**(0.5)**	17.1	(12.9)	**4.2**	52.3	(48.6)	**3.7**
Benefits paid	(1.0)	1.0	-	(0.4)	0.4	-	(1.4)	1.4	-
Employer contributions	1.0	-	**1.0**	0.2	-	**0.2**	1.2	-	**1.2**
Current service cost	-	(0.2)	**(0.2)**	-	(0.1)	**(0.1)**	-	(0.3)	**(0.3)**
Past service cost	-	-	-	-	-	-	-	-	-
Interest income / (expense)	0.9	(0.9)	-	0.5	(0.3)	**0.2**	1.4	(1.2)	**0.2**
Remeasurement gains / (losses):									
Actuarial gains	-	0.7	**0.7**	-	0.1	**0.1**	-	0.8	**0.8**
Return on plan assets excluding interest income	0.4	-	**0.4**	-	-	-	0.4	-	**0.4**
31 March 2018	**36.5**	**(35.1)**	**1.4**	**17.4**	**(12.8)**	**4.6**	**53.9**	**(47.9)**	**6.0**
1 April 2018	36.5	(35.1)	**1.4**	17.4	(12.8)	**4.6**	53.9	(47.9)	**6.0**
Benefits paid	(2.0)	2.0	-	(0.4)	0.4	-	(2.4)	2.4	-
Employer contributions	0.9	-	**0.9**	0.2	-	**0.2**	1.1	-	**1.1**
Current service cost	-	(0.2)	**(0.2)**	-	(0.1)	**(0.1)**	-	(0.3)	**(0.3)**
Past service cost	-	-	-	-	(0.1)	**(0.1)**	-	(0.1)	**(0.1)**
Interest income / (expense)	0.9	(0.8)	**0.1**	0.4	(0.3)	**0.1**	1.3	(1.1)	**0.2**
Remeasurement gains / (losses):									
Actuarial losses	-	(2.5)	**(2.5)**	-	(0.6)	**(0.6)**	-	(3.1)	**(3.1)**
Return on plan assets excluding interest income	0.5	-	**0.5**	0.2	-	**0.2**	0.7	-	**0.7**
31 March 2019	**36.8**	**(36.6)**	**0.2**	**17.8**	**(13.5)**	**4.3**	**54.6**	**(50.1)**	**4.5**

The Group balance sheet as at 31 March 2018 published in the Annual report for the year ended 31 March 2018 did not disclose separately the net deficit and the net surpluses of the Group's pension schemes as required by FRS 102. Instead, both deficit and surpluses were aggregated on the pensions deficit line, which showed an overall net deficit of £3.6m.

The comparative balance sheet included on page 14 of the current Annual report restates the 2018 pension deficit and surpluses by disclosing the surplus of the IWMPS scheme (£4.6m) and the surplus of the IWCSS scheme (£1.4m) on the retirement benefit in surplus line (£6.0m) and the deficit of the CPL scheme (£9.6m) on the retirement benefit in deficit line.

22 Pension and similar obligations continued

Reconciliation of scheme assets and liabilities – Schemes in deficit at 31 March 2019

The CPL Plan reported a net deficit at the year-end. The overall net deficit of £17.2m (2018: £9.6m) which is detailed below, is shown separately in the balance sheet.

	CPL Scheme		
	Assets	Obligations	Deficit
	£m	£m	£m
1 April 2017	125.8	(138.7)	**(12.9)**
Benefits paid	(6.4)	6.4	-
Employer contributions	1.0	-	**1.0**
Current service cost	-	-	-
Past service cost	-	-	-
Interest income / (expense)	3.1	(3.4)	**(0.3)**
Remeasurement gains / (losses):			
Actuarial gains	-	3.1	**3.1**
Return on plan assets excluding interest income	(0.5)	-	**(0.5)**
31 March 2018	**123.0**	**(132.6)**	**(9.6)**
1 April 2018	123.0	(132.6)	**(9.6)**
Benefits paid	(6.1)	6.1	-
Employer contributions	0.8	-	**0.8**
Current service cost	-	-	-
Past service cost	0	(1.1)	**(1.1)**
Interest income / (expense)	3.0	(3.3)	**(0.3)**
Remeasurement gains / (losses):			
Actuarial losses	-	(5.0)	**(5.0)**
Return on plan assets excluding interest income	(2.0)	-	**(2.0)**
31 March 2019	**118.7**	**(135.9)**	**(17.2)**

22 Pension and similar obligations continued

Total cost recognised as an expense:

Analysis of amounts charged to operating profit	**2019 £'m**	2018 £'m
Current service cost		
CPL Scheme	**-**	-
IWCSS Scheme	0.2	0.2
IWMPS Scheme	0.1	0.2
	0.3	0.4

Analysis of amounts credited / (debited) to other finance	**2019 £'m**	2018 £'m
Expected return on scheme assets		
CPL Scheme	**3.1**	3.1
IWCSS Scheme	**0.9**	0.9
IWMPS Scheme	**0.4**	0.4
	4.4	4.4
Interest on scheme liabilities		
CPL Scheme	**(3.3)**	(3.4)
IWCSS Scheme	**(0.9)**	(0.9)
IWMPS Scheme	**(0.3)**	(0.3)
	(4.5)	(4.6)
	(0.1)	(0.2)

Amounts recognised in other comprehensive income / (expense)	**2019 £'m**	2018 £'m
Actuarial (loss)/gain		
CPL Scheme	**(5.0)**	3.1
IWCSS Scheme	**(2.5)**	0.8
IWMPS Scheme	**(0.6)**	0.1
	(8.1)	4.0
Return on plan assets (excluding interest income)		
CPL Scheme	**(2.0)**	(0.5)
IWCSS Scheme	**0.5**	0.5
IWMPS Scheme	**0.2**	-
	(1.3)	-
	(9.4)	**4.0**

22 Pension and similar obligations continued

The assets of the schemes are invested in investment funds managed by a number of independent fund managers. The assets in the schemes and the percentage of total assets were:

CPL Scheme	Market value 2019		Market value 2018	
	£'m	**%**	£'m	%
Equities	**33.4**	28.1%	30.3	24.6%
Bonds	**68.3**	57.6%	37.3	30.4%
Liability Driven Investments	**-**	-	36.4	29.6%
Real assets	**6.7**	5.6%	4.2	3.4%
Cash and cash equivalents	**10.3**	8.7%	14.8	12.0%
Total	**118.7**		123.0	

IWCSS Scheme	Market value 2019		Market value 2018	
	£'m	**%**	£'m	%
Equities	**5.5**	14.9%	5.6	15.3%
Bonds	**21.7**	59.0%	21.6	59.2%
Property	**2.1**	5.7%	2.0	5.5%
Liability Driven Investments	**2.2**	6.0%	2.0	5.5%
Diversified Growth Fund	**5.2**	14.1%	5.2	14.2%
Cash and cash equivalents	**0.1**	0.3%	0.1	0.3%
Total	**36.8**		36.5	

IWMPS Scheme	Market value 2019		Market value 2018	
	£'m	**%**	£'m	%
Equities	**2.7**	15.2%	2.6	14.9%
Bonds	**10.0**	56.1%	9.8	56.3%
Property	**1.2**	6.7%	1.1	6.3%
Liability Driven Investments	**1.4**	7.9%	1.3	7.5%
Diversified Growth Fund	**2.4**	13.5%	2.5	14.4%
Cash and cash equivalents	**0.1**	0.6%	0.1	0.6%
Total	**17.8**		17.4	

22 Pension and similar obligations continued

The return on plan assets was:

	2019	2018
Interest income	£'m	£'m
CPL Scheme	**3.1**	3.1
IWCSS Scheme	**0.9**	0.9
IWMPS Scheme	**0.4**	0.4
	4.4	4.4
Return on plan assets less interest income		
CPL Scheme	**(2.0)**	(0.5)
IWCSS Scheme	**0.5**	0.5
IWMPS Scheme	**0.2**	-
	(1.3)	-
Total return on plan assets		
CPL Scheme	**1.1**	2.6
IWCSS Scheme	**1.4**	1.4
IWMPS Scheme	**0.6**	0.4
Total return on plan assets	**3.1**	4.4

Company

The Company had no defined benefit obligations at 31 March 2019 (2018: £nil).

23 Called up share capital

	2019	2018
	£	£
Authorised		
9,875 ordinary shares of £1 each	**9,241**	9,875
8,196 A ordinary shares of £1 each	**8,196**	8,196
1,759 B ordinary shares of £1 each	**894**	1,759
	18,331	19,830
Allotted and fully paid		
9,875 ordinary shares of £1 each	**9,241**	9,875
8,196 A ordinary shares of £1 each	**8,196**	8,196
1,759 B ordinary shares of £1 each	**894**	1,759
	18,331	19,830

During the year the Company purchased of shares in the Company owned by D Wake, who resigned as a director on 28 September 2018. The Company agreed to purchase the 634 ordinary shares and 865 B ordinary shares for a consideration of £720,000. This consideration was settled in November 2018 with a cash payment of £429,000, which also cleared D Wake's existing loan from CPL Industries Limited of £291,000. The shares purchased by the Company were cancelled, with a transfer equivalent to their aggregate nominal value of £1,499 being made between the profit and loss account and the capital redemption reserve (see Note 24) and a charge of £718,501 to the profit and loss account reserve.

24 Other Reserves

Group	2019 £'m	2018 £'m
Capital Redemption Reserve	**2.9**	2.9
	2.9	2.9

Following the re-purchase and cancellation of shares from D Wake (see Note 23), a transfer of £1,499 was made between the profit and loss account reserve and the capital redemption reserve.

25 Financial instruments

Group	2019 £'m	2018 £'m
Financial assets at fair value through the profit and loss account		
Derivative financial instruments	**0.2**	0.2
	0.2	0.2
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	**20.5**	28.1
Other debtors	**0.2**	0.6
Directors' loans	**1.7**	2.0
	22.4	30.7
Financial liabilities measured at fair value through the profit and loss account		
Derivative financial instruments	**0.1**	0.4
	0.1	0.4
Financial liabilities measured at amortised cost		
Trade creditors	**22.0**	24.1
Other creditors	**0.9**	1.0
Accruals	**7.1**	6.6
Bank loans	**30.2**	18.3
Preference shares	**5.8**	5.4
Loan notes	**8.4**	8.4
Finance lease	**4.1**	4.7
	78.5	68.5

25 Financial instruments continued

No impairment loss was recognised during the year in respect of trade receivables (2018: £nil).

Derivative financial instruments – Forward contracts

The Group enters into forward foreign currency contracts to hedge the exchange risk for certain foreign currency sales and purchases. At 31 March 2019 the outstanding contracts all matured within 15 months (2018: 14 months). The Group is committed to buy US$17.1m (2018: US$18.7m), buy €3.4m (2018:€5.1m), and buy AUD$nil (2018: AUD$0.7m).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD, GBP:EUR and GBP:AUD. The net fair value of the forward foreign currency contracts is £0.2m favourable (2018: £0.2m adverse).

During 2019, a hedging gain of £0.2m (2018: £0.2m loss) was recognised in other comprehensive income for changes in the fair value of the forward foreign currency contracts.

Derivative financial instruments – Interest rate swap

The Group has entered into an interest rate swap to receive interest at LIBOR and pay fixed interest at 1.39%, based on £4.0m, as a hedged element of the Group's revolving credit facility with Lloyds Bank plc. This swap matures in 2019. Cash flows on both the revolving credit facility and the interest rate swap are paid monthly until 2019. The instrument is used to hedge the Group's exposure to interest rate movements on an element of the revolving credit facility.

The Group has also entered into an interest rate swap to receive interest at EURIBOR and pay fixed interest at -0.01%, based on €5.7m, as a hedge of the Group's finance lease facility with Lloyds Bank plc. This swap matures in 2024 on the same date as the finance lease facility. Cash flows on both the finance lease facility and the interest rate swap are paid monthly until 2024. The instrument has been constructed to have the same amortisation profile as the finance lease and hence match the interest rate exposure of CPL Fuels Ireland Limited.

The fair value of the interest rate swaps is £0.1m favourable (2018: £0.1m adverse). During 2019, a hedging gain of £0.1m was recognised in other comprehensive income for changes in the fair value of the interest rate swaps (2018: no gain or loss).

Company	**2019**	2018
	£'m	£'m
Financial assets that are debt instruments measured at amortised cost		
Group relief receivable	**0.8**	1.3
	0.8	1.3
Financial liabilities measured at amortised cost		
Accruals	**1.4**	1.4
Amounts owed to group companies	**26.1**	19.2
Bank loans	**0.5**	5.6
Loan notes	**8.4**	8.4
	36.4	34.6

26 Notes to the cash flow statement

	2019 £'m	2018 £'m
(Loss) / profit for the financial year	**(4.1)**	0.4
Adjustments for:		
Tax on (loss) / profit	**-**	0.6
Net interest expense	**2.5**	2.2
Operating (loss) / profit	**(1.6)**	3.2
Revaluation of investment property	**0.4**	(0.5)
Depreciation of tangible assets	**4.4**	3.4
Amortisation of intangible assets	**1.1**	1.0
Impairment of tangible fixed assets	**0.8**	-
Profit on disposal of fixed assets	**-**	(0.2)
Difference between pension charge and cash contributions	**1.3**	(1.8)
(Increase) / decrease in inventories	**(8.2)**	3.3
Decrease / (increase) in operating debtors and prepayments	**6.6**	(4.8)
Decrease in operating creditors and accruals	**(2.7)**	(1.3)
(Decrease) / increase in provisions	**(1.4)**	2.6
Cash flow from operating activities	**0.7**	4.9

Analysis of changes in net debt	**As at 1 April 2018 £'m**	**Cash flow £'m**	**Exchange Movements £'m**	**As at 31 March 2019 £'m**
Cash and cash equivalents	2.6	0.6	-	3.2
Bank loans	(18.3)	(11.9)	-	(30.2)
Finance lease	(4.7)	0.6	-	(4.1)
Net debt	**(20.4)**	**(10.7)**	**-**	**(31.1)**

27 Financial commitments

At 31 March 2019 the Group had the following future minimum lease payments under non-cancellable operating leases:

	2019		2018	
Operating leases which expire:	**Land and buildings**	**Other**	Land and buildings	Other
	£'m	**£'m**	£'m	£'m
Within one year	**2.1**	**1.5**	2.1	1.5
Later than one year and not later than five years	**5.8**	**2.3**	6.1	1.5
Later than 5 years	**12.8**	**-**	12.4	-
	20.7	**3.8**	20.6	3.0

28 Ultimate controlling party

For the year ended 31 March 2019 CPL Industries Group Limited is the largest and smallest group in which the Company's financial statements are consolidated.

At 31 March 2019 the directors consider that Vision Capital Partners V-A L.P. is the ultimate parent company and controlling party. Copies of the financial statements of Vision Capital Partners V-A L.P. are available from PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL.

29 Related Party Transactions

During the year the Group and Company paid interest of £0.6m (2018: £nil) on the loan notes held by VCP Jet Luxco Sarl and £0.2m on loan notes held by directors (2018: £nil). A further £718,000 (2018: £723,000) of interest was accrued on the loan notes. In addition £389,000 (2018: £330,000) of interest was accrued on the preference shares held by VCP Jet Luxco Sarl. The balance outstanding at the year-end in respect of this interest was £1,789,000 (2018: £1,400,000).

Vision Capital LLP is disclosed as a related party because one of its partners is also a director of CPL Industries Group Limited. The Group paid £100,000 (2018: £100,000) of management fees to Vision Capital LLP for the year to 31 March 2019 and the balance outstanding at the year-end was £nil (2018: £nil).

During the year the Company agreed to purchase the shares in the Company owned by D Wake, who resigned as a director on 28 September 2018. The agreement covered 634 ordinary shares and 865 B ordinary shares with the consideration fixed at £720,000. This consideration was settled in November 2018 with a cash payment of £429,000, which also cleared D Wake's existing loan from the Company of £291,000. The shares so purchased by the Company were cancelled, with a transfer equivalent to their aggregate nominal value of £1,499 being made between the profit and loss account reserve and the capital redemption reserve.

During the year the Company also reached an agreement with D Wake for the repurchase of Company loan notes with an aggregate nominal value of £531,191 held by him. The agreed total consideration was £571,500, payment of which is to be made in three equal tranches in the period between May 2019 and May 2020. The first tranche of £190,500 was paid in May 2019.

During the year the Group charged interest on loans made to T W Minett and D Wake, both of whom were directors of the business during the year (D Wake resigned as a director on 28 September 2018). The interest charged was £41,578 (2018: £40,564) and £3,597 (2018: £7,000) respectively. Further details on the loans made to directors are disclosed in Note 17.

Transactions with key management personnel

Key management consists of the directors, therefore all transactions with key management personnel are disclosed above and in Note 6.

Company

Other than the transactions disclosed above and in Note 6, the Company's other related party transactions were with wholly owned subsidiaries and have not been disclosed.

Notes to the financial statements continued

for the year ended 31 March 2019

30 Business combinations

During the year the Group made the following acquisitions:

- On 1 May 2018 certain trade and assets of Icon Process Systems Limited
- On 11 July 2018 the issued share capital of SIA Wood4U
- On 20 February 2019 the issued share capital of BVBA Antraco and NV Kolengroothandel Gijsen ("Antraco / Gijsen")

In addition, the Group purchased the trade of a number of UK-based independent coal merchants.

These acquisitions are summarised below:

	Antraco / Gijsen	SIA Wood4U	Icon Process Systems Limited	UK-based independent coal merchants	**Total Fair Value**
Fixed Assets	£'000	£'000	£'000	£'000	**£'000**
Intangible assets	-	-	-	-	**-**
Tangible assets	-	252	135	-	**387**
	-	252	135	-	**387**
Current assets					
Stocks	44	81	5	-	**130**
Debtors	196	39	-	-	**235**
Cash at bank and in hand	61	29	-	-	**90**
	301	149	5	-	**455**
Creditors: amounts falling due within one year	(190)	(361)	-	-	**(551)**
Net current assets / (liabilities)	111	(212)	5	-	**(96)**
Total assets less current liabilities	111	40	140	-	**291**
Creditors: amounts falling due after more than one year	-	(91)	-	-	**(91)**
Provisions for liabilities and charges	-	-	-	-	**-**
Assets / (Liabilities) Acquired	111	(51)	140	-	**200**
Consideration paid:					
Cash	168	249	230	133	**780**
Goodwill arising on acquisition	57	300	90	133	**580**

31 Post-balance sheet events

During the year the Company repurchased the shares owned by D Wake, a former director, without the appropriate level of distributable reserves. A dividend of £8.7m from the Company's subsidiary, CPL Industries Group Holdings Limited, will be paid in order to restore the Company's positive distributable reserves following this transaction.

The Company agreed to purchase the 634 ordinary shares and 865 B ordinary shares for a consideration of £720,000. This consideration was settled in November 2018 with a cash payment of £429,000, which also cleared D Wake's existing loan from CPL Industries Limited of £291,000. The shares purchased by the Company were cancelled, with a transfer equivalent to their aggregate nominal value of £1,499 being made between the profit and loss account reserve and the capital redemption reserve.

During the year the Company also reached an agreement with D Wake for the repurchase of Company loan notes with an aggregate nominal value of £531,191 held by him. The agreed total consideration was £571,500, payment of which is to be made in three equal tranches in the period between May 2019 and May 2020. The first tranche of £190,500 was paid in May 2019.

On 5 April 2019 the Group acquired 100% of the issued share capital of Housefuel Limited, a company whose principal activity is the sale of smokeless and premium house coal. The total consideration was £1.4m, payable in instalments according to a schedule ending on 5 April 2020.

On 24 December 2019 the Group agreed a new Revolving Credit Facility and a new Asset Based Lending Facility with Lloyds Bank plc which expires on 31 March 2021.

CPL

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