

Company Registration No. SC239681 (Scotland)

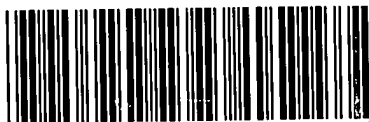
DSF HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018

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DSF HOLDINGS LIMITED

COMPANY INFORMATION

Directors	G M Bell P A Bearn P M Hutchison N A Parkin C J Whelpton R Whitehurst C J Windle	(Appointed 18 July 2017)
Secretary	P A Bearn Burness Paull LLP	
Company number	SC239681	
Registered office	50 Lothian Road Edinburgh Midlothian Scotland EH3 9WJ	
Auditor	Hart Shaw LLP Europa Link Sheffield Business Park Sheffield S9 1XU	
Business address	Friden Newhaven Buxton Derbyshire SK17 0DX	

DSF HOLDINGS LIMITED

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DSF HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present the strategic report for the year ended 31 May 2018.

Fair review of the business

The year to 31 May 2018 has been a year of two halves. The first six months witnessed unprecedented raw material supply issues due to flooding in Peru and South Africa coupled with pollution control measures in China. These severely impacted production whilst the group was pursuing a strategy of high volume sales which led to an operating loss in the first 6 months of £830,000. As a result of these issues, DSF has increased its supplier base to be resilient in the unlikely event of similar supply issues arising in the future. In addition, from the middle of the year, the group implemented substantial selling price increases and cost control measures which alongside the availability of raw materials resulted in an operating profit in the second half of the year of £496,000.

Principal risks and uncertainties

The group's operations expose it to a variety of financial risks that include the effects of currency risk, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group.

(i) Currency risk

The group is exposed to currency risk as a result of its operations. Currently the group operates a natural hedge with specific hedging on large forward contracts.

(ii) Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made.

(iii) Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

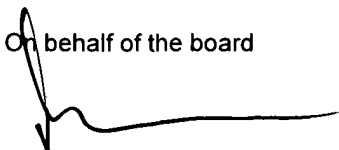
Development and performance

The group is currently seeing a buoyant glass refractory market with a full order book in many areas until 2019. As such the Directors are confident that the group's operating profit will continue to improve into 2019 as it benefits from the changes implemented in 2018 alongside continued investment in new products.

Key performance indicators

The directors consider that the group's key performance indicators are those that communicate the financial performance and strength of the group as a whole, being turnover, gross margin, EBITDA, weekly sales orders by value, weekly tonnes produced by route, on time delivery performance as a percentage of all deliveries, absolute scrap value and cash headroom.

On behalf of the board



P A Beam

Director

16 October 2018

DSF HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present their annual report and financial statements for the year ended 31 May 2018.

Principal activities

The principal activities of the group are the manufacture of refractory products for use in the glass industry and other high temperature industrial applications and the processing of minerals.

The principal activity of the company is that of a holding company.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G M Bell

P A Bearn

P M Hutchison

N A Parkin

C J Whelpton

R Whitehurst

C J Windle

(Appointed 18 July 2017)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Research and development

The group carries out its own research and development projects to improve and extend its product range.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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. They 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.

DSF HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



P A Bearn

Director

16 October 2018

DSF HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DSF HOLDINGS LIMITED

Opinion

We have audited the financial statements of DSF Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2018 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 or the parent 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

DSF HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DSF HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

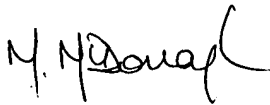
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

DSF HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DSF HOLDINGS LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Martin McDonagh (Senior Statutory Auditor)
for and on behalf of Hart Shaw LLP

17 October 2018

**Chartered Accountants
Statutory Auditor**

Europa Link
Sheffield Business Park
Sheffield
S9 1XU

DSF HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2017 £
Turnover	3	17,250,956	17,094,723
Cost of sales		(15,344,990)	(15,438,704)
Gross profit		1,905,966	1,656,019
Distribution costs		(1,405,486)	(1,412,202)
Administrative expenses		(867,397)	(886,580)
Other operating income		33,026	28,676
Operating loss	4	(333,891)	(614,087)
Interest receivable and similar income	8	1,000	76
Interest payable and similar expenses	9	(240,044)	(261,079)
Loss before taxation		(572,935)	(875,090)
Tax on loss	10	67,698	148,394
Loss for the financial year		(505,237)	(726,696)
Other comprehensive income			
Actuarial loss on defined benefit pension schemes		(29,000)	(58,000)
Pension surplus not recognised		15,000	58,000
Total comprehensive income for the year		(519,237)	(726,696)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company,

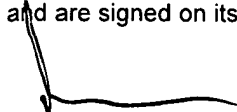
DSF HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 MAY 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	11	3,712,071		4,169,088	
Current assets					
Stocks	15	4,594,214		4,194,001	
Debtors	16	3,318,723		4,080,623	
Cash at bank and in hand		3,913		25,245	
		<u>7,916,850</u>		<u>8,299,869</u>	
Creditors: amounts falling due within one year	17	<u>(6,275,213)</u>		<u>(6,503,293)</u>	
Net current assets		<u>1,641,637</u>		<u>1,796,576</u>	
Total assets less current liabilities		<u>5,353,708</u>		<u>5,965,664</u>	
Creditors: amounts falling due after more than one year	18	(2,806,499)		(3,096,500)	
Provisions for liabilities	19	<u>(370,474)</u>		<u>(186,192)</u>	
Net assets excluding pension liability		<u>2,176,735</u>		<u>2,682,972</u>	
Defined benefit pension liability	23	<u>(13,000)</u>		<u>-</u>	
Net assets		<u><u>2,163,735</u></u>		<u><u>2,682,972</u></u>	
Capital and reserves					
Called up share capital	24	175,000		175,000	
Share premium account		162,116		162,116	
Profit and loss reserves		<u>1,826,619</u>		<u>2,345,856</u>	
Total equity		<u><u>2,163,735</u></u>		<u><u>2,682,972</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 16 October 2018 and are signed on its behalf by:



P A Bearn
Director

DSF HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MAY 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Investments	12		3,585,131		3,585,131
Current assets					
Cash at bank and in hand		129		79	
Creditors: amounts falling due within one year	17	(2,678,390)		(2,341,909)	
Net current liabilities			(2,678,261)		(2,341,830)
Total assets less current liabilities			906,870		1,243,301
Creditors: amounts falling due after more than one year	18		(940,493)		(1,200,428)
Net (liabilities)/assets			(33,623)		42,873
Capital and reserves					
Called up share capital	24		175,000		175,000
Share premium account			162,116		162,116
Profit and loss reserves			(370,739)		(294,243)
Total equity			(33,623)		42,873

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £76,496 (2017 - £93,989 loss).

The financial statements were approved by the board of directors and authorised for issue on 16 October 2018 and are signed on its behalf by:



P A Bearn
Director

Company Registration No. SC239681

DSF HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2018

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2016	175,000	162,116	3,072,552	3,409,668
Year ended 31 May 2017:				
Loss for the year	-	-	(726,696)	(726,696)
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(58,000)	(58,000)
Pension surplus not recognised	-	-	58,000	58,000
Total comprehensive income for the year	-	-	(726,696)	(726,696)
Balance at 31 May 2017	175,000	162,116	2,345,856	2,682,972
Year ended 31 May 2018:				
Loss for the year	-	-	(505,237)	(505,237)
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(29,000)	(29,000)
Pension surplus not recognised	-	-	15,000	15,000
Total comprehensive income for the year	-	-	(519,237)	(519,237)
Balance at 31 May 2018	175,000	162,116	1,826,619	2,163,735

DSF HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2018

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 June 2016	175,000	162,116	(200,254)	136,862
Year ended 31 May 2017:				
Loss and total comprehensive income for the year	-	-	(93,989)	(93,989)
Balance at 31 May 2017	175,000	162,116	(294,243)	42,873
Year ended 31 May 2018:				
Loss and total comprehensive income for the year	-	-	(76,496)	(76,496)
Balance at 31 May 2018	175,000	162,116	(370,739)	(33,623)

DSF HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	25	197,503		1,029,066	
Interest paid		(240,044)		(261,079)	
Income taxes refunded/(paid)		60,672		-	
Net cash inflow from operating activities		<u>18,131</u>		<u>767,987</u>	
Investing activities					
Purchase of tangible fixed assets		(67,125)		(126,332)	
Proceeds on disposal of tangible fixed assets		419		7,600	
Interest received		-		76	
Net cash used in investing activities		<u>(66,706)</u>		<u>(118,656)</u>	
Financing activities					
Repayment of bank loans		(278,660)		(307,371)	
Payment of finance leases obligations		(40,052)		(28,437)	
Net cash used in financing activities		<u>(318,712)</u>		<u>(335,808)</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(367,287)</u>		<u>313,523</u>	
Cash and cash equivalents at beginning of year		(1,319,487)		(1,633,010)	
Cash and cash equivalents at end of year		<u>(1,686,774)</u>		<u>(1,319,487)</u>	
Relating to:					
Cash at bank and in hand		3,913		25,245	
Bank overdrafts included in creditors payable within one year		<u>(1,690,687)</u>		<u>(1,344,732)</u>	

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

Company information

DSF Holdings Limited ("the company") is a private limited company, incorporated in Scotland. The registered office is 50 Lothian Road, Edinburgh, Midlothian, Scotland, EH3 9WJ.

The group consists of DSF Holdings Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of DSF Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 May 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% straight line
Plant and equipment	10-25% straight line
Motor vehicles	25% straight line

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost is calculated using the first in, first out method.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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 profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.13 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Valuation of stocks

The year end stock valuation includes the absorption of costs that are required to bring inventories to their present location and condition.

In making this judgement, management has considered the detailed criteria set out for the measurement of inventories under FRS102 Section 13, with particular emphasis placed on the allocation of production overheads.

3 Turnover and other revenue

The whole of turnover is attributable to the principal activity of the company.

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	4,977,512	6,102,250
Rest of Europe	7,641,238	4,712,127
Rest of the world	4,632,206	6,280,346
	<u>17,250,956</u>	<u>17,094,723</u>

4 Operating loss

	2018 £	2017 £
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(62,711)	(145,152)
Research and development costs	149,943	181,926
Government grants	(33,026)	(28,676)
Depreciation of owned tangible fixed assets	581,632	551,644
Depreciation of tangible fixed assets held under finance leases	20,370	19,849
Loss/(profit) on disposal of tangible fixed assets	3,296	(7,600)
Cost of stocks recognised as an expense	8,335,583	8,665,025
Operating lease charges	<u>231,328</u>	<u>232,665</u>

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	3,500	5,000
Audit of the financial statements of the company's subsidiaries	18,000	25,500
	<u>21,500</u>	<u>30,500</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Production	110	104	1	1
Selling and distribution	14	15	3	3
Administration	11	11	3	2
	<u>135</u>	<u>130</u>	<u>7</u>	<u>6</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	3,976,655	3,742,225	-	-
Social security costs	381,617	366,911	-	-
Pension costs	214,949	203,907	-	-
	<u>4,573,221</u>	<u>4,313,043</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	655,685	606,537
Company pension contributions to defined contribution schemes	50,942	44,225
	<u>706,627</u>	<u>650,762</u>

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

7 Directors' remuneration

(Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	117,186	117,325
Company pension contributions to defined contribution schemes	12,080	12,080

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2017 - 5).

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on the net defined benefit asset	1,000	-
Other interest income	-	76
Total income	1,000	76

9 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	167,215	172,116
Interest on finance leases and hire purchase contracts	4,937	4,103
Other interest on financial liabilities	67,892	84,860
Total finance costs	240,044	261,079

10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	(50,006)	(60,672)
Deferred tax		
Origination and reversal of timing differences	(17,692)	(87,722)
Total tax credit for the year	(67,698)	(148,394)

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	(572,935)	(875,090)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(108,858)	(175,018)
Tax effect of expenses that are not deductible in determining taxable profit	40,602	54,332
Unutilised tax losses carried forward	28,230	-
Research and development tax credit	(50,006)	(46,906)
Surrender of tax losses for R&D tax credit refund	28,489	22,315
Deferred tax	(17,692)	(7,466)
Differences between capital allowances and depreciation	11,537	4,349
Taxation credit for the year	(67,698)	(148,394)

11 Tangible fixed assets

Group	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 June 2017	1,294,502	9,034,578	79,985	10,409,065
Additions	-	148,700	-	148,700
Disposals	-	(247,342)	-	(247,342)
At 31 May 2018	1,294,502	8,935,936	79,985	10,310,423
Depreciation and impairment				
At 1 June 2017	501,228	5,681,094	57,655	6,239,977
Depreciation charged in the year	21,850	567,997	12,155	602,002
Eliminated in respect of disposals	-	(243,627)	-	(243,627)
At 31 May 2018	523,078	6,005,464	69,810	6,598,352
Carrying amount				
At 31 May 2018	771,424	2,930,472	10,175	3,712,071
At 31 May 2017	793,274	3,353,484	22,330	4,169,088

The company had no tangible fixed assets at 31 May 2018 or 31 May 2017.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

11 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2018 £	2017 £	Company 2018 £	2017 £
Plant and equipment	97,866	60,682	-	-
Motor vehicles	10,175	22,330	-	-
	<u>108,041</u>	<u>83,012</u>	<u>-</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	20,370	19,849	-	-

On 1 January 1994 land and buildings, plant and machinery and motor vehicles were valued at depreciated replacement cost. No further revaluations will be undertaken.

12 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	13	-	-	3,585,131	3,585,131

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 June 2017 and 31 May 2018	<u>3,585,131</u>
Carrying amount	
At 31 May 2018	<u>3,585,131</u>
At 31 May 2017	<u>3,585,131</u>

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

13 Subsidiaries

Details of the company's subsidiaries at 31 May 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
DSF Refractories and Minerals Limited	Below	The manufacture of refractory products	Ordinary		100.00
DSF Trustees Limited	Below	Administering an employee share ownership trust	Ordinary	100.00	
DSF (2003) Limited	Below	Dormant	Ordinary	100.00	

The registered office of the subsidiaries listed above is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

14 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,078,878	3,814,905	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	8,745,237	9,090,924	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

15 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	1,539,137	1,737,957	-	-
Work in progress	482,959	605,166	-	-
Finished goods and goods for resale	2,572,118	1,850,878	-	-
	4,594,214	4,194,001	-	-

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

16 Debtors

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,078,878	3,814,905	-	-
Corporation tax recoverable	50,006	60,672	-	-
Other debtors	1,533	-	-	-
Prepayments and accrued income	188,306	205,046	-	-
	<u>3,318,723</u>	<u>4,080,623</u>	<u>-</u>	<u>-</u>

17 Creditors: amounts falling due within one year

	Notes	Group 2018	2017	Company 2018	2017
		£	£	£	£
Bank loans and overdrafts		1,950,622	1,623,392	259,935	278,660
Obligations under finance leases		32,896	19,849	-	-
Other borrowings		529,826	503,373	2,415,895	2,060,276
Trade creditors		3,006,957	3,438,895	-	-
Other taxation and social security		105,728	245,096	-	-
Government grants	21	32,089	33,026	-	-
Other creditors		52,793	37,985	-	-
Accruals and deferred income		564,302	601,677	2,560	2,973
		<u>6,275,213</u>	<u>6,503,293</u>	<u>2,678,390</u>	<u>2,341,909</u>

Bank borrowings are secured by way of a fixed and floating charge over the assets of the group, a charge over the life policies of 3 of the directors and a legal charge over Friden Brickworks.

Other loans are secured by a fixed and floating charge over company's property, land and assets and a legal mortgage over the company's property at Friden.

Assets held under hire purchase arrangements are secured against the assets concerned.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

18 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts		940,493	1,200,428	940,493	1,200,428
Obligations under finance leases		47,174	18,698	-	-
Other borrowings		1,620,174	1,646,627	-	-
Government grants	21	198,658	230,747	-	-
		<u>2,806,499</u>	<u>3,096,500</u>	<u>940,493</u>	<u>1,200,428</u>

Bank borrowings are secured by way of a fixed and floating charge over the assets of the group, a charge over the life policies of 3 of the directors and a legal charge over Friden Brickworks.

Other loans are secured by a fixed and floating charge over company's property, land and assets and a legal mortgage over the company's property at Friden.

Assets held under hire purchase arrangements are secured against the assets concerned.

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>184,615</u>	<u>276,923</u>	<u>184,615</u>	<u>276,923</u>
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19 Provisions for liabilities

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Other provisions		351,974	150,000	-	-
Deferred tax liabilities	20	18,500	36,192	-	-
		<u>370,474</u>	<u>186,192</u>	<u>-</u>	<u>-</u>

A claim has been received against the company in respect of bricks installed at a kiln which subsequently required a repair. An expert has been involved in relation to the claim and has issued a final report. Following a review of the report the directors consider that it is appropriate that an amount be provided in relation to this claim based on their assessment at this stage of proceedings. Notwithstanding this assessment, the directors continue to refute the claim.

At this stage it is difficult to make a reliable estimate of the timing of any amounts that might be payable in relation to the matter.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

19 Provisions for liabilities

(Continued)

Movements on provisions apart from deferred tax liabilities:

Group	Other provisions £
At 1 June 2017	150,000
Additional provisions in the year	201,974
At 31 May 2018	<u>351,974</u>

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	238,400	237,612
Tax losses carried forward	(219,900)	(195,024)
Other short term differences	-	(6,396)
	<u>18,500</u>	<u>36,192</u>

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2018 £	Company 2018 £
Liability at 1 June 2017	36,192	-
Credit to profit or loss	(17,692)	-
Liability at 31 May 2018	<u>18,500</u>	<u>-</u>

The timing differences between the accelerated capital allowances and the depreciation charge on the fixed assets is due to expire at the earlier of the asset being disposed of or the end of its useful life.

Deferred tax assets recognised in respect of tax losses are expected to reverse in line with taxable profits achieved in succeeding periods.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

21 Government grants

	Group 2018 £	2017 £	Company 2018 £	2017 £
Deferred income is included in the financial statements as follows:				
Current liabilities	32,089	33,026	-	-
Non-current liabilities	198,658	230,747	-	-
	<u>230,747</u>	<u>263,773</u>	<u>-</u>	<u>-</u>

22 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	24,388	19,421	-	-
Between two and five years	440,716	417,702	-	-
In over five years	-	120,012	-	-
	<u>465,104</u>	<u>557,135</u>	<u>-</u>	<u>-</u>

23 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>202,949</u>	<u>203,907</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Included within creditors is an amount of £49,397 (2017 - £36,005) owing in respect of defined contribution payments.

Defined benefit schemes

The group operates a defined benefit scheme. The scheme is now closed to new employees and future accrual. The assets of the scheme are held separately from those of the group in an independently administered fund. No other post retirement benefits are provided.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation was carried out at 31 March 2017 and updated to 31 May 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The forecast contributions for the next financial year are expected to be £12,000 (2017 - £12,000).

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

23 Retirement benefit schemes

(Continued)

	2018	2017
	%	%
<i>Key assumptions</i>		
Discount rate	2.6	2.5
Inflation (RPI)	3.0	3.2
Inflation (CPI)	2.0	2.2
Allowance for pension in payment increases of RPI or 5% p.a if less	2.9	3.1
<i>Mortality assumptions</i>	2018	2017
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	21.4	22.2
- Females	23.3	24.2
Retiring in 20 years		
- Males	23.1	24.0
- Females	25.1	26.0
	2018	2017
	£	£
<i>Amounts recognised in the profit and loss account</i>		
Net interest on defined benefit liability/(asset)	(1,000)	(3,000)
Other costs and income	12,000	12,000
Total costs	11,000	9,000
	2018	2017
	£	£
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(38,000)	(35,000)
Less: calculated interest element	21,000	29,000
Return on scheme assets excluding interest income	(17,000)	(6,000)
Actuarial changes related to obligations	46,000	64,000
Total costs	29,000	58,000

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

23 Retirement benefit schemes

(Continued)

The amounts included in the balance sheet arising from obligations in respect of defined benefit plans are as follows:

Group	2018 £	2017 £
Present value of defined benefit obligations	861,000	837,000
Fair value of plan assets	(848,000)	(852,000)
Unrecognised surplus	-	15,000
Deficit in scheme	13,000	-

The company had no post employment benefits at 31 May 2018 or 1 June 2017.

	Group 2018 £
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 June 2017	837,000
Benefits paid	(54,000)
Actuarial gains and losses	46,000
Interest cost	20,000
Other	12,000
At 31 May 2018	861,000

The defined benefit obligations arise from plans which are wholly or partly funded.

	Group 2018 £
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 June 2017	852,000
Interest income	21,000
Return on plan assets (excluding amounts included in net interest)	17,000
Benefits paid	(54,000)
Contributions by the employer	12,000
At 31 May 2018	848,000

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

23 Retirement benefit schemes

(Continued)

Fair value of plan assets at the reporting period end

	Group 2018 £	2017 £
Equity instruments	299,000	306,000
Debt instruments	458,000	420,000
Property	74,000	68,000
All other assets	17,000	58,000
	<u>848,000</u>	<u>852,000</u>

24 Share capital

	Group and company 2018 £	2017 £
Ordinary share capital Issued and fully paid 175,000 ordinary shares of £1 each	<u>175,000</u>	<u>175,000</u>

25 Cash generated from group operations

	2018 £	2017 £
Loss for the year after tax	(505,237)	(726,696)
Adjustments for:		
Taxation credited	(67,698)	(148,394)
Finance costs	240,044	261,079
Investment income	(1,000)	(76)
Loss/(gain) on disposal of tangible fixed assets	3,296	(7,600)
Depreciation and impairment of tangible fixed assets	602,002	571,493
Pension scheme non-cash movement	-	12,000
Increase in provisions	201,974	150,000
Movements in working capital:		
(Increase)/decrease in stocks	(400,213)	700,517
Decrease/(increase) in debtors	751,234	(631,569)
(Decrease)/increase in creditors	(593,873)	888,988
(Decrease) in deferred income	(33,026)	(28,676)
Cash generated from operations	<u>197,503</u>	<u>1,041,066</u>