

Financial Statements Archwood Limited

For the Period Ended 1 October 2016



Registered number: 02037421

Archwood Limited

Company Information

Directors

M Moir
K K Riddle
S Underhill
R H Burbidge
P Haggerty
J Burbidge
P Lerigo

Company secretary

Andrew Simms

Registered number

02037421

Registered office

Archwood House
Kingsfield Court
Chester Business Park
Chester
CH4 9RE

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Royal Liver Building
Liverpool
L3 1PS

Bankers

Natwest Bank Plc
Shrewsbury
Shropshire
SY1 1HE

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Strategic report

For the Period Ended 1 October 2016

Business review

The directors present their report and the financial statements of the company for the year ended 1st October 2016.

The reported turnover for the year was £41,000 down 15.2% from 2015 £48,378

Gross profit margins have slightly reduced from 21.9% 2015 to 21.7% for 2016.

Contained within the Operating expenses for 2016 are exceptional costs in relation to the consolidation of several of the businesses sites which the Directors expect to yield cost savings and synergies moving forward. This will enable the company to continually compete within the markets in which it operates.

Performance of the business

	2016 £000	2015 £000
Turnover	41,000	48,378
Turnover growth	(15.2%)	-
Gross Profit margin	21.7%	21.9%
Operating Profit margin	(4.0%)	(2.6%)
Loss before tax	(1,855)	(858)

Principal risks and uncertainties

The company uses financial instruments, these include cash, finance leases and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

Interest rate risk

The company finances its operations through a mixture of retained profits and finance leases.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk, credit limits are set and reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Archwood Limited

Strategic report

For the Period Ended 1 October 2016

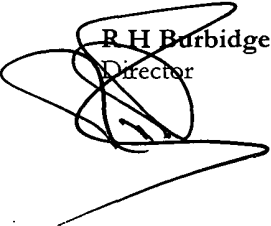
Currency risk

The company has a number of overseas suppliers. As a result the company reviews its currency exposure on a continual basis and will enter into hedges if considered necessary.

This report was approved by the board on

11/11/17

and signed on its behalf.


R H Burbidge
Director

Directors' report

For the Period Ended 1 October 2016

The directors present their report and the financial statements for the period ended 1 October 2016.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the period, after taxation, amounted to £1,606 thousand (2015 - loss £870 thousand).

The directors do not propose a dividend for the year (2015: £291,000).

Directors

The directors who served during the period were:

M Moir
K K Riddle
S Underhill
R H Burbidge
P Haggerty
J Burbidge
P Lerigo
N Smith (resigned 26th July 2016)

Employee involvement

Regular meetings are held between local management and employees to allow a free flow of information and ideas. There is also an open channel of communication between management and employees.

Directors' report (continued)

For the Period Ended 1 October 2016

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

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

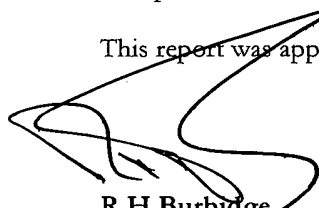
Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

11 / 1 / 17

and signed on its behalf:



R H Burbidge
Director

Independent auditor's report to the members of Archwood Limited

We have audited the financial statements of Archwood Limited for the period ended 1 October 2016, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 'The financial reporting standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 October 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Archwood Limited

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Carl Williams (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Liverpool
Date: 18/1/17

Statement of comprehensive income

For the Period Ended 1 October 2016

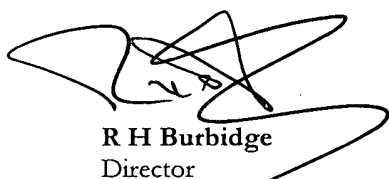
	Note	2016 £000	2015 £000
Turnover	4	41,000	48,378
Cost of sales		(32,083)	(37,769)
Gross profit		8,917	10,609
Administrative expenses		(9,408)	(11,850)
Exceptional administrative expenses		(1,135)	-
Operating loss	5	(1,626)	(1,241)
Interest receivable and similar income	8	(3)	15
Other finance income		(226)	368
Loss before tax		(1,855)	(858)
Tax on loss	10	249	(12)
Loss for the period		(1,606)	(870)
Other comprehensive income for the period			
Actuarial gains on defined benefit pension scheme		(3,918)	1,990
Movement of deferred tax relating to pension deficit		292	(398)
Other comprehensive income for the period		(3,626)	1,592
Total comprehensive income for the period		(5,232)	722

Balance sheet

As at 1 October 2016

	Note	£000	1 October 2016 £000	£000	3 October 2015 £000
Fixed assets					
Tangible assets	13		4,649		4,741
			<u>4,649</u>		<u>4,741</u>
Current assets					
Stocks	14	9,017		8,903	
Debtors: amounts falling due within one year	15	8,473		11,021	
Cash at bank and in hand	16	2,445		2,951	
		<u>19,935</u>		<u>22,875</u>	
Creditors: amounts falling due within one year	17	(4,753)		(6,318)	
Net current assets			<u>15,182</u>		<u>16,557</u>
Total assets less current liabilities			<u>19,831</u>		<u>21,298</u>
Creditors: amounts falling due after more than one year	18		(373)		-
Provisions for liabilities					
Deferred tax	21	(67)		(367)	
			<u>(67)</u>		<u>(367)</u>
Pension liability			<u>(8,507)</u>		<u>(4,815)</u>
Net assets			<u><u>10,884</u></u>		<u><u>16,116</u></u>
Capital and reserves					
Called up share capital	22		38		38
Share premium account	23		2,329		2,329
Profit and loss account	23		8,517		13,749
			<u>10,884</u>		<u>16,116</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11/11/17



R H Burbidge
Director

The notes on pages 11 to 30 form part of these financial statements.

Statement of changes in equity

For the Period Ended 1 October 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 4 October 2015	38	2,329	13,749	16,116
Comprehensive income for the period				
Loss for the period	-	-	(1,606)	(1,606)
Actuarial losses on pension scheme	-	-	(3,626)	(3,626)
Other comprehensive income for the period	-	-	(3,626)	(3,626)
Total comprehensive income for the period	-	-	(5,232)	(5,232)
Total transactions with owners	-	-	-	-
At 1 October 2016	38	2,329	8,517	10,884

Statement of changes in equity

For the Period Ended 3 October 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 28 September 2014	38	2,329	13,318	15,685
Comprehensive income for the period				
Loss for the period	-	-	(870)	(870)
Actuarial gains on pension scheme	-	-	1,592	1,592
Other comprehensive income for the period	-	-	1,592	1,592
Total comprehensive income for the period	-	-	722	722
Dividends: Equity capital	-	-	(291)	(291)
Total transactions with owners	-	-	(291)	(291)
At 3 October 2015	38	2,329	13,749	16,116

The notes on pages 11 to 30 form part of these financial statements.

Notes to the financial statements

For the Period Ended 1 October 2016

1. General information

Archwood Limited is a company incorporated in the United Kingdom. The registered office of the company is Archwood House, Kingsfield Court, Chester Business Park, Chester, CH4 9RE.

The principal activity of the company is manufacturing and sale of timber products.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 30.

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

The following principal accounting policies have been applied:

2.2 Cashflow exemption

The individual accounts of Archwood Limited have adopted the disclosure exemption from the requirement to present a statement of cashflows and related notes.

2.3 Revenue

Revenue is measured as the fair value of the consideration received, net of value added tax. Revenue is recognised on the sale of goods. Revenue is recognised on an arising basis, as goods are despatched from the warehouse.

2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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

Notes to the financial statements

For the Period Ended 1 October 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- 2 to 12.5 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Notes to the financial statements

For the Period Ended 1 October 2016

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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

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 income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

Notes to the financial statements

For the Period Ended 1 October 2016

2. Accounting policies (continued)

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 28 September 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.13 Finance leases

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.15 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

Notes to the financial statements

For the Period Ended 1 October 2016

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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

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

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company'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 liability'.

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

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, 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 profit or loss as a 'finance expense'.

Notes to the financial statements

For the Period Ended 1 October 2016

2. Accounting policies (continued)

Defined benefit pension plan

Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. A net surplus is recognised only to the extent that it is recoverable.

The current service costs and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

2.17 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Notes to the financial statements

For the Period Ended 1 October 2016

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

Preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results in the future could differ from the estimates. In this regard, the directors believe that the critical accounting policy where judgements or estimates are necessarily applied are in the calculation of stock provision, rebates, trade debt provision, impairment of goodwill and investments in subsidiaries.

4. Turnover

The whole of the turnover is attributable to the sale of timber products.

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	40,557	47,507
Rest of Europe	182	577
Rest of the world	261	295
	<u>41,000</u>	<u>48,379</u>

5. Operating loss

The operating loss is stated after charging:

	2016 £000	2015 £000
Loss/(profit) on sale of fixed assets	24	(329)
Depreciation of tangible fixed assets	989	1,319
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	36	50
Exchange differences	(68)	13
Other operating lease rentals	133	-
Defined contribution pension cost	437	386
	<u>437</u>	<u>386</u>

Notes to the financial statements

For the Period Ended 1 October 2016

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	7,210	8,445
Social security costs	675	747
Cost of defined contribution scheme	437	386
	<u>8,322</u>	<u>9,578</u>

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

	2016 No.	2015 No.
Production staff	193	169
Administrative staff	112	195
	<u>305</u>	<u>364</u>

7. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	672	1,077
Company contributions to defined contribution pension schemes	64	50
	<u>736</u>	<u>1,127</u>

During the period retirement benefits were accruing to 9 directors (2015 - 9) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £220,000 (2015 - £506,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2015 - £15,700).

Share Options

The company operates a share option scheme for one of its directors (who is also the highest paid director). The maximum number of shares that will vest is 4,786 T & P Ordinary shares, of which 1,974 will vest if the director is employed by the company on the exercise date and the remaining 2,812 will vest only if certain performance conditions are met. There is a put-option in place whereby the director is able to convert the shares to cash upon exercise of the options. The fair value of the options has been determined in accordance with the principles set out in the option agreement, the company's articles of association and requirements of FR102. Under this method, the expense to the profit and loss account for the year is £Nil (2015: £Nil) and the corresponding liability at 1 October 2016 is £Nil (2015: £Nil).

Notes to the financial statements

For the Period Ended 1 October 2016

8. Interest receivable

	2016 £000	2015 £000
Other interest receivable	(3)	15
	<u>(3)</u>	<u>15</u>

9. Other finance costs

	2016 £000	2015 £000
Net interest on net defined benefit liability	(226)	368
	<u>(226)</u>	<u>368</u>

10. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	-	(160)
Adjustments in respect of previous periods	51	(145)
Total current tax	<u>51</u>	<u>(305)</u>
Deferred tax		
Origination and reversal of timing differences	(300)	317
Total deferred tax	<u>(300)</u>	<u>317</u>
Taxation on (loss)/profit on ordinary activities	<u>(249)</u>	<u>12</u>

Notes to the financial statements

For the Period Ended 1 October 2016

10. Taxation (continued)**Factors affecting tax charge for the period**

The tax assessed for the period is the same as (2015 - the same as) the standard rate of corporation tax in the UK of 20% (2015 - 20%) as set out below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	(2,614)	(858)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(371)	(172)
Effects of:		
Capital allowances for period in excess of depreciation	(58)	152
Profit on disposal of fixed assets	(5)	-
Adjustments to tax charge in respect of prior periods	51	(145)
Permanent timing differences	52	-
Short term timing difference leading to an increase (decrease) in taxation	9	(75)
Origination and reversal of timing differences	-	317
FRS17 adjustments	-	(65)
Deferred tax not recognised	(21)	-
Group relief	106	160
Payment from fellow subsidiary for group relief	-	(160)
Deferred tax movement	(12)	-
Total tax charge for the period	(249)	12

11. Dividends

	1 October 2016 £000	3 October 2015 £000
Dividends paid	-	291

12. Exceptional items

	2016 £000	2015 £000
Restructuring and business reorganisation costs	1,135	-
	1,135	-

Notes to the financial statements

For the Period Ended 1 October 2016

13. Tangible fixed assets

	Plant & machinery £000
Cost or valuation	
At 4 October 2015	22,783
Additions	1,024
Disposals	(764)
At 1 October 2016	<u>23,043</u>
Depreciation	
At 4 October 2015	18,042
Charge for period	989
Disposals	(637)
At 1 October 2016	<u>18,394</u>
Net book value	
At 1 October 2016	<u><u>4,649</u></u>
At 3 October 2015	<u><u>4,741</u></u>

Included within the net book value of £4,649,000 is £601,000 (2015: £Nil) relating to asset held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £143,000 (2015: £Nil).

14. Stocks

	1 October 2016 £000	3 October 2015 £000
Raw materials and consumables	2,405	2,539
Finished goods and goods for resale	6,612	6,364
	<u>9,017</u>	<u>8,903</u>

Stock recognised in cost of sales during the period as an expense was £22,371,000 (2015 - £26,339,000).

An impairment loss of £296,000 (2015: £702,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Notes to the financial statements

For the Period Ended 1 October 2016

15. Debtors

	1 October 2016 £000	3 October 2015 £000
Trade debtors	7,600	9,980
Amounts owed by group undertakings	324	285
Other debtors	348	504
Tax recoverable	201	252
	<u>8,473</u>	<u>11,021</u>

An impairment loss of £63,000 (2015: £172,000 income) was recognised against trade debtors.

16. Cash and cash equivalents

	1 October 2016 £000	3 October 2015 £000
Cash at bank and in hand	2,445	2,951
Less: bank overdrafts	-	(551)
	<u>2,445</u>	<u>2,400</u>

17. Creditors: Amounts falling due within one year

	1 October 2016 £000	3 October 2015 £000
Bank overdrafts	-	551
Trade creditors	2,866	2,886
Amounts owed to group undertakings	180	-
Taxation and social security	418	752
Obligations under finance lease and hire purchase contracts	122	30
Accruals and deferred income	1,167	2,099
	<u>4,753</u>	<u>6,318</u>

Secured loans

The obligations under finance lease and hire purchase assets are secured against the assets to which they relate.

Notes to the financial statements

For the Period Ended 1 October 2016

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

	1 October 2016 £000	3 October 2015 £000
Net obligations under finance leases and hire purchase contracts	373	-
	<u>373</u>	<u>-</u>

Secured loans

The obligations under finance lease and hire purchase assets are secured against the assets to which they relate.

19. Hire purchase & finance leases

Minimum lease payments under hire purchase fall due as follows:

	1 October 2016 £000	3 October 2015 £000
Within one year	122	30
Between 1-2 years	122	-
Between 2-5 years	251	-
	<u>495</u>	<u>30</u>

Notes to the financial statements

For the Period Ended 1 October 2016

20. Financial instruments

	1 October 2016 £000	3 October 2015 £000
Financial assets		
Financial assets measured at fair value through profit or loss	2,445	2,951
Financial assets that are debt instruments measured at amortised cost	7,924	10,265
	<u>10,369</u>	<u>13,216</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(4,212)	(5,537)
	<u>(4,212)</u>	<u>(5,537)</u>
Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.		
Financial assets measured at amortised cost comprise trade debtors and amounts due from group undertakings.		
Financial Liabilities measured at amortised cost comprise trade creditors, accruals, amounts owed to group undertakings and bank overdrafts.		

21. Deferred taxation

	2016 £000
At beginning of year	(367)
Charged to the profit or loss	300
At end of year	<u>(67)</u>
The provision for deferred taxation is made up as follows:	
	1 October 2016 £000
Excess of taxation allowances over depreciation of fixed assets	(67)
	<u>(67)</u>

Notes to the financial statements

For the Period Ended 1 October 2016

22. Share capital

	1 October 2016 £	3 October 2015 £
Shares classified as equity		
Allotted, called up and fully paid		
37,500 Ordinary shares of £1 each	37,500	37,500

23. Reserves

Share premium

Excess paid over the value of ordinary shares.

Profit & loss account

Includes all current year and prior periods retained losses.

24. Contingent liabilities

There were no contingent liabilities at 1 October 2016 or 3 October 2015.

25. Capital commitments

There were no contingent liabilities at 1 October 2016 or 3 October 2015.

Notes to the financial statements

For the Period Ended 1 October 2016

26. Pension commitments

The company operates two defined benefit pension schemes.

The Richard Burbidge Defined Benefit Scheme

The latest actuarial valuation of the scheme was at 5 April 2014 and updated to 1 October 2016, and was carried out by Aon Hewitt, an independent actuary. The actuarial value of the assets at that date was sufficient to cover 91% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The market value of the assets of the scheme was £29.0m at 5 April 2014.

The Atkinson Marketing Defined Benefit Scheme

The latest actuarial valuation of this scheme was at 5 April 2014 and was carried out by AON Consulting Limited, an independent actuary. The actuarial value of the assets at that date was sufficient to cover 116% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The market value of the assets of the scheme was £2.7m at 5 April 2014.

Retirement benefits - FRS102 disclosures at 1 October 2016

The present value of the scheme liabilities has been determined using the projected unit method as required by FRS102. The schemes are closed to new entrants and so, under the projected unit method the current service cost will increase as the active members of the scheme approach retirement. As this rate is applied to a salary roll which will decline as members leave or retire, the service cost amount will decline in the long term.

The net position of the two schemes, after adjusting for deferred tax are as follows:

Richard Burbidge defined benefit scheme £10,241,000 liability

Atkinson Marketing defined benefit scheme £238,000 asset

All disclosures below are made for the schemes in totality.

Reconciliation of present value of plan liabilities:

	1 October 2016 £000	3 October 2015 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	37,203	40,911
Interest cost	1,396	1,553
Actuarial gains/losses	11,334	(3,067)
Benefits paid	(939)	(2,194)
At the end of the year	48,994	37,203

Notes to the financial statements

For the Period Ended 1 October 2016

26. Pension commitments (continued)

	1 October 2016 £000	3 October 2015 £000
At the beginning of the year	32,388	32,507
Interest income	1,170	1,921
Actuarial gains/losses	7,416	(1,077)
Contributions	160	27
Benefits paid	(939)	(2,194)
Deferred tax asset in relation to scheme assets	292	1,204
At the end of the year	40,487	32,388

	1 October 2016 £000	3 October 2015 £000
Fair value of plan assets	40,487	32,388
Present value of plan liabilities	(48,994)	(37,203)
Net pension scheme liability	(8,507)	(4,815)

The amounts recognised in profit or loss are as follows:

	1 October 2016 £000	3 October 2015 £000
Interest on obligation	(226)	368
Total	(226)	368

Reconciliation of fair value of plan liabilities were as follow:

	1 October 2016 £000	3 October 2015 £000
Interest cost	226	(368)
Closing defined benefit obligation	226	(368)

Notes to the financial statements

For the Period Ended 1 October 2016

26. Pension commitments (continued)

Reconciliation of fair value of plan assets were as follows:

	1 October 2016 £000	3 October 2015 £000
Actuarial losses	(3,918)	1,990
	<u>(3,918)</u>	<u>1,990</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £9,892,000 (2015 - £5,974,000).

The Company expects to contribute £NIL to its Defined benefit pension scheme in 2017.

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	2.30	3.80
Future pension increases	3.00	3.20
CPI inflation	1.90	2.10
RPI inflation	3.00	3.20
Mortality rates		
- for a male aged 65 now	22.1	22.0
- at 65 for a male aged 45 now	24.3	24.2
- for a female aged 65 now	24.1	24.0
- at 65 for a female member aged 45 now	26.4	26.3

Notes to the financial statements

For the Period Ended 1 October 2016

26. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Defined benefit obligation	(48,994)	(37,203)	(40,911)	(33,909)	(30,259)
Scheme assets	40,195	32,388	32,507	28,448	28,937
Surplus	(8,799)	(4,815)	(8,404)	(5,461)	(1,322)
Experience adjustments on scheme liabilities	(11,791)	3,067	(3,482)	(3,107)	(2,827)
Experience adjustments on scheme assets	9,011	(1,077)	69	(1,456)	1,868
	(2,780)	1,990	(3,413)	(4,563)	(959)

27. Commitments under operating leases

At 1 October 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	1 October 2016 £000	3 October 2015 £000
Not later than 1 year	224	242
Later than 1 year and not later than 5 years	663	748
Later than 5 years	1,086	1,216
	1,973	2,206

28. Related party transactions

The entity has taken the exemption from disclosing related party transactions with Financial Reporting Standard 102 section 33.

Amounts paid to key management personnel during the year were £906,756 (2015: £1,174,379).

Notes to the financial statements

For the Period Ended 1 October 2016

29. Ultimate parent undertaking and controlling party

The immediate parent company is Ripat Limited, a company incorporated in England and Wales. The companies accounts are available at Companies House.

Richard Burbidge, a director of this company and Ripat Limited, and members of his close family control the Group as a result of controlling directly or indirectly 100% of the issues share capital of Ripat Limited.

30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.