

COMPANY REGISTRATION NUMBER: 02881663

Addis Housewares Limited
Financial Statements
For the year ended
31 December 2016

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Addis Housewares Limited

Financial Statements

Year ended 31 December 2016

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Addis Housewares Limited

Officers and Professional Advisers

The board of directors

Mr M Godfrey
Mr S Grainger
Mr M Lee-Smith
Mr D Rand
Mr T Seviour
Mr M Simmons
Mr R J Tucker

Company secretary

Mr R J Tucker

Registered office

Zone 3 Waterton Point
Brocastle Avenue
Waterton Industrial Estate.
Bridgend
CF31 3US

Auditor

Clay Shaw Thomas Ltd
Chartered accountant & statutory auditor
2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

Bankers

Halifax Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

Addis Housewares Limited

Strategic Report

Year ended 31 December 2016

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

Principal activity

The principal activity of the company continues to be the manufacture and sale of household and light commercial products.

Business review/development & performance

Details of the trading activities and financial position of the company are shown on pages 8 and 9.

The company's turnover for the year increased from £20.34m to £21.74m.

The statement of comprehensive income of the company is set out on page 8 and shows a profit before tax for the year ended 31 December 2016 of £611,541, compared with a profit for the year ended 31 December 2015 of £341,467.

We are pleased to report that 2016 was another year of progress for the Addis business. Once again, we saw an improvement in both our sales and EBITDA. We had service levels of >99% and a quality failure rate that almost did not register. All product categories with the business developed satisfactorily with a significant higher level of innovation driving sales and profitability. Within the sales sectors, a particularly strong performance was seen within the grocery, general merchants, DIY, hardware, garden centres and department store sectors. Within our trading categories, laundry, waste management, cleaning, sinkware, food storage, home organisation and our new category bathroom all showed strong performances with excellent year on year growth in sales and profitability.

Principal risks & uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, currency risk, credit risk and interest rate risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Financial key performance indicators

The financial key performance indicators for the year were as follows:

	2016	2015
Turnover	21,735,868	20,339,126
Profit before Tax	611,541	341,467
EBITDA	1,287,310	1,006,827

Addis Housewares Limited

Strategic Report *(continued)*

Year ended 31 December 2016

This report was approved by the board of directors on24/5/2017..... and signed on behalf of the board by:



Mr R J Tucker
Director

Registered office:
Zone 3 Waterton Point
Brocastle Avenue
Waterton Industrial Estate
Bridgend
CF31 3US

Addis Housewares Limited

Directors' Report

Year ended 31 December 2016

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

Directors

The directors who served the company during the year were as follows:

Mr M Godfrey
Mr S Grainger
Mr M Lee-Smith
Mr D Rand
Mr T Seviour
Mr M Simmons
Mr R J Tucker

Dividends

The directors do not propose the payment of a dividend for the year (2015: £nil). The loss for the year of £3,101,762 (2015: Profit £675,391) was transferred to reserves.

Future developments

Since the period end, the company has continued to be profitable at an operating level. The company's forecasts also show that it is expected to remain profitable and cash generative at an operating level over the foreseeable future. However the company is committed to significant funding of a defined benefit pension scheme. As a result, the company will need to carefully manage its cash flow to ensure that there are sufficient funds to meet the contributions required by the scheme.

After enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information in the strategic report

This information is shown in the strategic report under s414C(11) on page 1.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Addis Housewares Limited

Directors' Report *(continued)*

Year ended 31 December 2016

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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on24/5/2017..... and signed on behalf of the board by:



Mr R J Tucker
Director

Registered office:
Zone 3 Waterton Point
Brocastle Avenue
Waterton Industrial Estate
Bridgend
CF31 3US

Addis Housewares Limited

Independent Auditor's Report to the Members of Addis Housewares Limited

Year ended 31 December 2016

We have audited the financial statements of Addis Housewares Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Addis Housewares Limited

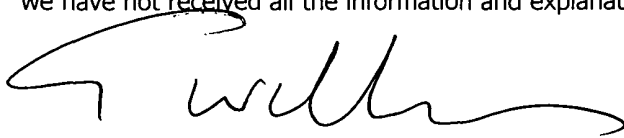
Independent Auditor's Report to the Members of Addis Housewares Limited *(continued)*

Year ended 31 December 2016

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.



Mr David Gwyn J. Williams B.A., F.C.A (Senior Statutory Auditor)

For and on behalf of
Clay Shaw Thomas Ltd
Chartered accountant & statutory auditor
2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

24/5/2017.

Addis Housewares Limited

Statement of Comprehensive Income

Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	5	21,735,868	20,339,126
Cost of sales		(15,277,842)	(14,730,110)
Gross profit		6,458,026	5,609,016
Distribution costs		(4,521,684)	(4,182,924)
Administrative expenses		(811,740)	(590,891)
Other operating income	6	20,889	15,889
Operating profit	7	1,145,491	851,090
Other interest receivable and similar income	11	1,298	1,521
Interest payable and similar expenses	12	(535,248)	(511,144)
Profit before taxation		611,541	341,467
Tax on profit	13	(138,603)	(66,076)
Profit for the financial year		472,938	275,391
Remeasurement of the net defined benefit plan		(4,290,000)	500,000
Tax relating to components of other comprehensive income		715,300	(100,000)
Other comprehensive income for the year		(3,574,700)	400,000
Total comprehensive income for the year		(3,101,762)	675,391

All the activities of the company are from continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

Addis Housewares Limited

Balance Sheet

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	14	907,305	791,310
Current assets			
Stocks	15	2,015,987	1,847,561
Debtors	16	11,180,071	11,242,087
Cash at bank and in hand		910,219	320,489
		<u>14,106,277</u>	<u>13,410,137</u>
Creditors: amounts falling due within one year	17	<u>4,553,036</u>	<u>5,186,147</u>
Net current assets		<u>9,553,241</u>	<u>8,223,990</u>
Total assets less current liabilities		<u>10,460,546</u>	<u>9,015,300</u>
Creditors: amounts falling due after more than one year	18	<u>109,023</u>	<u>152,015</u>
Net assets excluding defined benefit pension plan liability		<u>10,351,523</u>	<u>8,863,285</u>
Defined benefit pension plan liability	21	<u>14,570,000</u>	<u>9,980,000</u>
Net liabilities including defined benefit pension plan liability		<u>(4,218,477)</u>	<u>(1,116,715)</u>
Capital and reserves			
Called up share capital	23	500,575	500,575
Profit and loss account	24	(4,719,052)	(1,617,290)
Members deficit		<u>(4,218,477)</u>	<u>(1,116,715)</u>

These financial statements were approved by the board of directors and authorised for issue on 24.12.2017, and are signed on behalf of the board by:



Mr M Lee-Smith
Director



Mr R J Tucker
Director

Company registration number: 02881663

The notes on pages 11 to 25 form part of these financial statements.

Addis Housewares Limited

Statement of Changes in Equity

Year ended 31 December 2016

		Called up share capital £	Profit and loss account £	Total £
At 1 January 2015		6,000,000	(7,792,681)	(1,792,681)
Profit for the year			275,391	275,391
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan	21	–	500,000	500,000
Tax relating to components of other comprehensive income	13	–	(100,000)	(100,000)
Total comprehensive income for the year		–	675,391	675,391
Issue of shares		575	–	575
Cancellation of subscribed capital		(5,500,000)	5,500,000	–
Total investments by and distributions to owners		(5,499,425)	5,500,000	575
At 31 December 2015		500,575	(1,617,290)	(1,116,715)
Profit for the year			472,938	472,938
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan	21	–	(4,290,000)	(4,290,000)
Tax relating to components of other comprehensive income	13	–	715,300	715,300
Total comprehensive income for the year		–	(3,101,762)	(3,101,762)
At 31 December 2016		<u>500,575</u>	<u>(4,719,052)</u>	<u>(4,218,477)</u>

The notes on pages 11 to 25 form part of these financial statements.

Addis Housewares Limited

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Zone 3 Waterton Point, Brocastle Avenue, Waterton Industrial Estate, CF31 3US, Bridgend.

2. Statement of compliance

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom & Republic of Ireland' (FRS102), and with the Companies Act 2006.

3. Accounting policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements are presented in Sterling (£).

Foreign currency

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Addis Group Limited which can be obtained from Addis Group Limited, Zone 3, Waterton Point, Brocastle Avenue, Waterton Industrial Estate, Bridgend, CF31 3US. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Going concern

Since the period end, the company has continued to be profitable at an operating level. The company's forecasts also show that it is expected to remain profitable and cash generative at an operating level over the foreseeable future. However the company is committed to significant funding of a defined benefit pension scheme. As a result, the company will need to carefully manage its cash flow to ensure that there are sufficient funds to meet the contributions required by the scheme.

After enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Turnover represents the amounts derived from the provision of goods and services to customers, excluding value added tax and trade discounts.

Income tax

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more or a right to pay less, or to receive more tax with the following exception:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Tangible assets *(continued)*

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 3 to 7 years
Fixtures and fittings	- 3 to 10 years

The carrying values of the fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first in first out basis is used. For work in progress and finished goods is taken as production cost, which includes an appropriate proportion of attributable overheads.

Stocks held on consignment are those where the risks and rewards are not passed on to the company. These stocks are not included in the balance sheet and are expensed in the profit and loss account in the period in which they are consumed.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Revenue grants receivable are credited to the profit and loss account in the period in which they become receivable.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Defined benefit plans

The company operates a defined benefit pension scheme, the Addis Housewares Limited Pension Scheme, covering the majority of its permanent employees. The scheme funds are administered by trustees and are independent of the company's finances. The scheme contributions are paid to the scheme in accordance with the recommendations of independent actuaries.

The difference between the market value of the assets of the scheme and the present value of its liabilities is shown as an asset or liability on the company's balance sheet. Any difference between the expected return on assets and that actually achieved is recognised in the statement of changes in equity, along with differences which arise from experience or assumption changes.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

4. Critical accounting judgements and estimation uncertainty

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

(a) Critical accounting estimates and assumptions

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

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes to the accounts for the carrying amount of the property plant and equipment and for the useful economic lives for each class of assets.

(ii) Stock Provisions

The company sells household and light commercial products and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of the stock and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future use of raw materials.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

(iv) Defined benefit pension scheme

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

5. Turnover

Turnover arises from:

	2016	2015
	£	£
Sale of goods	<u>21,735,868</u>	<u>20,339,126</u>

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

5. Turnover *(continued)*

Turnover arises solely from the principal activities of the company. The company has not disclosed an analysis of turnover by market as the directors consider that this will be seriously prejudicial to the company.

6. Other operating income

	2016 £	2015 £
Government grant income	<u>20,889</u>	<u>15,889</u>

7. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible assets	141,819	155,737
Loss/(gains) on disposal of tangible assets	321	(8,757)
Impairment of trade debtors	26,410	—
Operating lease rentals	585,086	471,508
Defined contribution plans expense	192,117	121,953
Defined benefit plans expense	<u>450,000</u>	<u>430,000</u>

8. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>20,475</u>	<u>19,500</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	3,250	4,537
Other non-audit services	<u>1,250</u>	<u>1,225</u>
	<u>4,500</u>	<u>5,762</u>

9. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016 No.	2015 No.
Production staff	23	22
Distribution staff	35	35
Administrative staff	<u>15</u>	<u>11</u>
	<u>73</u>	<u>68</u>

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

9. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016	2015
	£	£
Wages and salaries	2,167,680	2,146,378
Social security costs	214,386	212,279
Other pension costs	192,117	121,953
	<u>2,574,183</u>	<u>2,480,610</u>

10. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	557,479	603,751
Company contributions to defined contribution pension plans	157,836	97,292
	<u>715,315</u>	<u>701,043</u>

Remuneration of the highest paid director in respect of qualifying services:

	2016	2015
	£	£
Aggregate remuneration	100,548	99,350
Company contributions to defined contribution pension plans	67,626	66,484
	<u>168,174</u>	<u>165,834</u>

11. Other interest receivable and similar income

	2016	2015
	£	£
Interest on cash and cash equivalents	<u>1,298</u>	<u>1,521</u>

12. Interest payable and similar expenses

	2016	2015
	£	£
Interest on banks loans and overdrafts	74,873	73,171
Interest on obligations under finance leases and hire purchase contracts	10,375	7,973
Pension finance charge	450,000	430,000
	<u>535,248</u>	<u>511,144</u>

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

13. Tax on profit

Major components of tax expense

	2016 £	2015 £
Deferred tax:		
Origination and reversal of timing differences	195,603	122,006
Movement in deferred tax asset in relation to pension scheme deficit	(57,000)	(55,930)
Total deferred tax	138,603	66,076
Tax on profit	138,603	66,076

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £(715,300) (2015: £100,000).

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20%).

	2016 £	2015 £
Profit on ordinary activities before taxation	611,541	341,467
Profit on ordinary activities by rate of tax	122,308	68,293
Effect of capital allowances and depreciation	(28,518)	(53,918)
Utilisation of tax losses	(150,612)	(66,917)
Deferred grant income	(3,178)	(3,177)
Net pension expenses not deductible for tax purposes	60,000	55,719
Deferred tax: Origination and reversal of timing differences	195,603	122,006
Deferred tax: Movement in deferred tax asset in relation to pension scheme deficit	(57,000)	(55,930)
Tax on profit	138,603	66,076

There was no Corporation Tax payable in this or the prior period due to the availability of previous years' trading losses.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

14. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Assets in construction £	Total £
Cost				
At 1 January 2016	2,334,735	277,110	–	2,611,845
Additions	–	–	263,511	263,511
Disposals	(7,121)	–	–	(7,121)
Transfers	239,796	23,715	(263,511)	–
At 31 December 2016	2,567,410	300,825	–	2,868,235
Depreciation				
At 1 January 2016	1,595,173	225,362	–	1,820,535
Charge for the year	122,194	19,625	–	141,819
Disposals	(1,424)	–	–	(1,424)
At 31 December 2016	1,715,943	244,987	–	1,960,930
Carrying amount				
At 31 December 2016	851,467	55,838	–	907,305
At 31 December 2015	739,562	51,748	–	791,310

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 31 December 2016	215,558
At 31 December 2015	141,443

Capital commitments

	2016 £	2015 £
Contracted for but not provided for in the financial statements	–	156,000

15. Stocks

	2016 £	2015 £
Raw materials and consumables	233,413	288,751
Finished goods and goods for resale	1,782,574	1,558,810
	2,015,987	1,847,561

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Debtors

	2016 £	2015 £
Trade debtors	2,934,726	3,181,956
Amounts owed by group undertakings	4,286,151	4,286,151
Deferred tax asset	3,031,101	2,454,404
Called up share capital not paid	100	575
Prepayments and accrued income	118,707	182,420
Corporation tax repayable	62,088	62,088
Other debtors	747,198	1,074,493
	11,180,071	11,242,087

The debtors above include the following amounts falling due after more than one year:

	2016 £	2015 £
Amounts owed by group undertakings	—	4,286,151
Deferred tax asset	3,031,101	2,454,404
	3,031,101	6,740,555

17. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts	783,665	1,239,891
Trade creditors	1,713,481	1,881,200
Accruals and deferred income	1,721,958	1,725,286
Social security and other taxes	306,829	315,324
Obligations under finance leases and hire purchase contracts	27,103	24,446
	4,553,036	5,186,147

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the company.

Hire purchase liabilities are secured on the assets to which they relate.

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

	2016 £	2015 £
Accruals and deferred income	38,604	54,493
Obligations under finance leases and hire purchase contracts	70,419	97,522
	109,023	152,015

Hire purchase liabilities are secured on the assets to which they relate.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2016 £	2015 £
Not later than 1 year	27,103	24,446
Later than 1 year and not later than 5 years	70,419	97,522
	<u>97,522</u>	<u>121,968</u>

20. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2016 £	2015 £
Included in debtors (note 16)	<u>3,031,101</u>	<u>2,454,404</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	99,050	76,820
Unused tax losses	(361,851)	(535,224)
Pension plan obligations	(2,768,300)	(1,996,000)
	<u>(3,031,101)</u>	<u>(2,454,404)</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £192,117 (2015: £121,953).

Defined benefit plans

The company operates a defined benefit pension scheme with assets held in a separately administered fund. The fund is administered by a group of trustees, who are responsible for ensuring that the scheme is sufficiently funded to meet current and future obligations. The company has agreed a funding plan with the trustees, whereby contributions are agreed to be made of 19% of profit before interest and tax from 1 April 2017 based on the profit for the financial year ended the previous 31 December. The contributions are subject to a minimum of £150,000 per annum for the period up to and including 31 March 2021 and £250,000 per annum from 1 April 2021 increasing by £100,000 per annum on each 1 April. This recovery plan has been put in place in order to reduce the current deficit of the fund. The agreement was dated 22 March 2017.

On 30 April 2002 defined benefits ceased further accruals and all active members at the date became deferred pensioner members.

During the year, the company contributed £150,000 to the scheme. The PPF levy for the 2015/16 tax year was paid directly by the scheme.

A comprehensive actuarial valuation of the company pension scheme was carried out on 17 March 2017 by BBS Consultants & Actuaries, independent consulting actuaries.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

21. Employee benefits *(continued)*

The balance sheet net defined benefit liability is determined as follows:

	2016	2015
	£	£
Present value of defined benefit obligations	(31,650,000)	(27,320,000)
Fair value of plan assets	17,080,000	17,340,000
	<u>(14,570,000)</u>	<u>(9,980,000)</u>

Changes in the present value of the defined benefit obligations are as follows:

	2016
	£
At 1 January 2016	27,320,000
Interest expense	1,200,000
Benefits paid	(1,340,000)
Remeasurements:	
Actuarial gains and losses	4,470,000
At 31 December 2016	<u>31,650,000</u>

Changes in the fair value of plan assets are as follows:

	2016
	£
At 1 January 2016	17,340,000
Interest income	750,000
Benefits paid	(1,340,000)
Contributions by employer	150,000
Administration expenses	(120,000)
Remeasurements:	
Actuarial gains and losses	300,000
At 31 December 2016	<u>17,080,000</u>

The total costs for the year in relation to defined benefit plans are as follows:

	2016	2015
	£	£
Recognised in profit or loss:		
Net interest expense	<u>450,000</u>	<u>430,000</u>

The fair value of the major categories of plan assets are as follows:

	2016	2015
	£	£
Equity instruments	11,080,957	9,499,368
Debt instruments	136,640	131,000
Property	1,135,205	1,824,154
Cash and cash equivalents	1,270,752	189,299
Bonds	3,456,446	5,696,179
	<u>17,080,000</u>	<u>17,340,000</u>

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

21. Employee benefits *(continued)*

The return on plan assets are as follows:

	2016 £	2015 £
Return on assets of benefit plan	<u>1,050,000</u>	<u>340,000</u>

The principal actuarial assumptions as at the balance sheet date were:

	2016 %	2015 %
Discount rate	3.40	4.50
Inflation assumption	3.20	3.00
Mortality rates:		
Current pensioners at 65 - male	84.70	84.70
Current pensioners at 65 - female	86.60	86.60
Future pensioners at 65 - male	85.50	85.50
Future pensioners at 65 - female	<u>87.70</u>	<u>87.70</u>

22. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2016 £	2015 £
Recognised in creditors:		
Deferred government grants due within one year	15,889	15,889
Deferred government grants due after more than one year	<u>38,604</u>	<u>54,493</u>
	<u>54,493</u>	<u>70,382</u>
Recognised in other operating income:		
Government grants recognised directly in income	5,000	–
Government grants released to profit or loss	<u>15,889</u>	<u>15,889</u>
	<u>20,889</u>	<u>15,889</u>

23. Called up share capital

Authorised share capital

	2016		2015	
	No.	£	No.	£
Ordinary A Shares shares of £1 each	500,000	500,000	500,000	500,000
Ordinary B Shares shares of £0.10 each	5,000	500	5,000	500
Ordinary C Shares shares of £0.10 each	750	75	750	75
	<u>505,750</u>	<u>500,575</u>	<u>505,750</u>	<u>500,575</u>

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

23. Called up share capital *(continued)*

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary A Shares shares of £1 each	500,000	500,000	500,000	500,000
Ordinary B Shares shares of £0.10 each	5,000	500	5,000	500
Ordinary C Shares shares of £0.10 each	750	75	750	75
	<u>505,750</u>	<u>500,575</u>	<u>505,750</u>	<u>500,575</u>

Ordinary A Shares of £1 each - No restrictions to voting, capital or distributions. Capital to be repaid upon winding up of the company, after all capital repaid on A, B & C shares, all or any surpluses of assets then remaining to be distributed among the Ordinary A shares to the exclusion of all other classes of shares.

Ordinary B Shares of £0.10 each - No voting rights, full rights to dividends, capital to be repaid upon winding up or sale of the company. No further entitlement to distributions.

Ordinary C Shares of £0.10 each - No voting rights, full rights to dividends, capital to be repaid upon winding up or sale of the company. No further entitlement to distributions.

24. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Not later than 1 year	360,211	457,754
Later than 1 year and not later than 5 years	907,870	991,525
Later than 5 years	488,268	705,276
	<u>1,756,349</u>	<u>2,154,555</u>

26. Related party transactions

At the year end there was a balance owing from Addis Group Limited, the parent company of Addis Housewares Limited of £4,286,151 (2015: £4,286,151). The loan is repayable on demand. No interest is charged on the loan as there is a reciprocal agreement in place that Addis Housewares Limited waives its right to any interest on the loan, on the condition that Addis Group Limited does not charge royalties to Addis Housewares Limited.

Group consolidated financial statements are prepared and are available from Addis Group Limited, Zone 3 Waterton Point, Brocastle Avenue, Waterton Industrial Estate, Bridgend, CF31 3US.

Addis Housewares Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

27. Controlling party

The ultimate parent undertaking of Addis Housewares Limited is Addis Group Limited, a company registered in Wales.

In the opinion of the directors the ultimate controlling party is Herr Wulf, who together with his family, hold 95% of the ordinary share capital in the company's immediate parent undertaking, Addis Group Limited.