

Carver Group Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 509127

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Carver Group Limited
Report and financial statements
for the year ended 31 December 2016

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Directors

D L Carver
D Morrison
T J Carver
A D Killeen
S L Fyfe

Secretary and registered office

S L Fyfe, 15 Northgate, Alridge, Walsall, West Midlands, WS9 8QD

Company number

509127

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Bankers

HSBC Bank PLC London, 8 Canada Square, London, E14 5HQ

Carver Group Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

Principal Activities

The group's principal activities during the year were as follows:

Carver Group Limited	Holding Company
Carver Climate Systems Limited , Carver Climate Systems GmbH and Carver Climate Holdings Incorporated	Intermediary holding company
Biddle Air Systems Limited (UK) and Biddle BV	Development and manufacturing of heating and cooling equipment
Biddle NV, Biddle GmbH, Thermoscreens GmbH, Biddle Air Systems Limited (Canada) and Biddle EURL	Distributors of heating and cooling equipment
Thermoscreens Limited	Development and manufacture of air curtains
Carver & Co (Engineers) Limited	Development and manufacture of engineering clamping and workholding devices
Widney Leisure Limited	Development, manufacture and marketing of gas and electric heating appliances for domestic dwellings and caravan holiday homes
Applied Comfort Products Carver Incorporated	Development and manufacturing of heating and cooling equipment

The geographical locations of these entities are disclosed in note 13 of these financial statements.

Review of business and future developments

Group

The directors are pleased to report that the Group enjoyed a strong trading performance over the past 12 months in what continues to be tough trading conditions due to a trend in mild weather and economic uncertainty in our major markets. The Group also expanded its North American operations by successfully acquiring the trade and assets of Applied Comfort Products Inc. in December 2016.

The consolidated statement of comprehensive income is set out on page 11 and shows turnover for the year of £32,049,000 (17 months period to 31 December 2015 - £43,078,000) and an EBITDA before exceptional costs of £2,614,000 (17 month period to 31 December 2015 - £4,415,000).

EBITDA as a percentage of turnover was 8.2% in the period which is down on the prior period predominantly due to lower margin in the UK caused by sales mix.

Carver Group Limited

Strategic report for the year ended 31 December 2016 (*continued*)

The performance was also affected by Euro to Sterling currency exchange rate movement's year on year. The overall impact on EBITDA was just £0.2m but Turnover, Gross Profit and Overheads were all higher as a result of this movement.

Carver Climate Systems division (companies other than those noted below)

The division's sales were flat versus the prior year in local currency but within these numbers; key account revenue was up 9%. This increase was offset by lower turnover in Northern Europe which can be attributed to a continued trend of mild weather.

The division continues to target growth in major Retail key accounts across Europe and has seen a growing number of enquiries and orders from international grocery customers. The specifications being developed in Europe are being picked up by customer divisions in North America, reinforcing the value of developing intimate relationships with customers and developing a culture for being responsive to customer's needs.

Widney Leisure Limited and Carver & Co (Engineers) Limited

As expected, the trends in the Caravan market continue to erode sales of our traditional product lines with revenue falling 6% year on year. Gross profit margin was also affected by adverse sales mix but the decision to consolidate the Bromsgrove factory into the Nuneaton site paid off, reducing overheads and helping the business generate a 5.7% operating profit.

Carver & Co (engineers) Limited continued to perform well despite the ongoing difficult market environment. Again, the decision to reduce overhead by consolidating the Bromsgrove site into Nuneaton paid off with the business generating an Operating Profit of 24% in 2016.

Applied Comfort Products Carver Incorporated

In December 2016 the Group acquired the trade and assets of Applied Comfort Products Inc, a Canadian business unit supplying branded HVAC products within Canada and North America to further expand the Groups operations in this geographical segment. The acquisition was financed via existing cash reserves of the group and loan finance.

Carver Group Limited

Strategic report for the year ended 31 December 2016 (*continued*)

Principal risks and uncertainties

During the last year, the Group has continued to execute strategies to optimise business opportunities and minimise exposure to principal risks and uncertainties.

With the broad geographical spread of our operations, there is a potential risk of financial loss or damage to our reputation resulting from inadequate or failed internal processes and systems, or the actions of people or external events. The group manages these potential risks through appropriate controls and loss mitigations actions.

Examples include:

- Regular reviewing the performance against budget and forecasts;
- Ensuring that exposure to foreign exchange is minimised through prompt payment of intergroup current accounts, and managing currency balances as appropriate;
- Carrying out regular review of the principal suppliers and customers of the Group, and how each impacts on the Group's business and strategies;
- Taking sufficient insurance cover, including business interruption;
- Maintaining disaster recovery plans for all major sites; and
- Maintaining rigorous data back- up procedures

The Board and management teams continue to monitor potential risk areas and adjust tactical and strategic plans accordingly to protect our businesses.

All of the markets in which the company and its subsidiaries operate for heating and ventilating products, within commerce, retail and industry remain highly competitive. The group seeks to manage the risk of losing customers to key competitors by the continued support and services provided to end users, distributors, wholesalers and installers throughout both the UK and the rest of the world.

Sales are made in Pounds Sterling, Euros and Canadian Dollars and the exposure to movements in exchange rates is primarily managed by controlling working capital denominated in each currency. The group's credit risk is principally attributable to its trade debtors. Credit risk is managed by insuring such debts whenever possible and by regularly performing credit checks on existing and new customers.

Pro-active working capital management and analysis of historic and anticipated trading patterns assist the Board in its decision making. Financial reviews are undertaken at Board and management levels to analyse and understand current and future results.

The group personnel are a major element within the business, and play a key role in managing the growth and associated risk. It is important that the group and company succeeds in attracting, developing and retaining qualified, experienced and motivated staff.

The Board of Directors and Management of the group accepts its collective responsibility in providing health and safety leadership and regards the effective management of health and safety risks as key to the fulfilment of the group and Company's business objectives.

The Group monitors cash flow as part of its day to day control procedures. Appropriate facilities are managed and agreed with respective subsidiary boards of directors with performance measured against budgeted projections.

Carver Group Limited

Strategic report for the year ended 31 December 2016 (*continued*)

Financial key performance indicators

Key performance indicators are used to measure and evaluate the Group's performance against targets and monitor various activities during the year. The main key performance indicators employed in the group include:

- Achieving revenue and profit targets
- Meeting agreed milestone on existing project opportunities
- Developing the core customer base
- Identifying and securing new customers in new markets.

The above key performance indicators are monitored by the Board to ensure that they are progressing as planned in a timely manners.

Quality assurance

The main group trading activities operate under BS EN ISO:9002 accreditation for Quality Management systems. All companies have achieved acceptance to accreditation under BS EN ISO:9001:2000. Additionally, group companies embrace a wider ethic of continuous improvement.

Future developments

The Group is in a strong financial position to be able to grow and develop in the future both organically and through acquisitions. During 2017 the focus will be on the integration of Applied Comfort Product Carver Inc into the group's operation and a significant expansion in the group's operations in the Canadian and North American market.

Going forward we are looking for the sales and marketing functions to become ever more focused and successful as we attempt to once again grow our top line sales. The challenge for the Group is to move the commercial organisation to becoming a solution sales and service business whilst retaining the ability to lead the market in developing niche products.

At the same time further initiatives are planned to improve the performance of the Group by the development and implementation of lean business practices across the Group and improving our product sourcing processes.

On behalf of the board


S L Fyfe
Director
Date:

14/09/2017

Carver Group Limited

Report of the directors for the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Results and dividends

The statement of comprehensive income is set out on page 11 and shows the profit for the year.

Dividends of £250,000 were paid to the ordinary shareholders during the period. The directors do not recommend the payment of a final dividend to ordinary shareholders.

Directors

The directors of the company during the year were:

D L Carver #
D Morrison #
Mrs N M Carver # (Resigned 7 May 2016)
T J Carver #
A D Killeen
S L Fyfe

- non executive

Financial instruments

The group does not actively use financial instruments as part of its day to day financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. Fixed assets and working capital are principally financed from retained profit, cash reserves, and group also has access to a bank overdraft facility.

The group finances acquisitions through the cash reserves of the group and bank finance. During the current year the group has taken out a new variable rate loan facility to principally finance the acquisition of the trade and assets of Applied Comfort Products Inc.

The group is exposed to certain exchange rate risk as it sells and purchases in foreign currency. The Group manages this risk by matching sales and purchases in the same currency where possible. Forward contracts are occasionally used to reduce the group's exposure although there were no open contracts at the current or previous year end.

Carver Group Limited

Report of the directors for the year ended 31 December 2016 (*continued*)

Directors' responsibilities

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 group and company 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 company will continue in business.

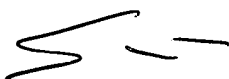
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



S L Fyfe
Director

Date:

14/09/2017

Carver Group Limited

Independent auditor's report

To the members of Carver Group Limited

We have audited the financial statements of Carver Group Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated cash flows 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).

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC'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 group and company's affairs as at 30 June 2016 and of its group 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

Carver Group Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

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



Thomas Lawton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date: 22 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Carver Group Limited

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	31 December 2016 £'000	17 months ended 31 December 2015 £'000
Turnover	3	32,049	43,078
Cost of sales		(15,934)	(20,227)
Gross profit		16,115	22,851
Distribution costs		(5,134)	(7,653)
Administrative expenses		(9,328)	(13,615)
EBITDA* before exceptional costs		2,614	4,415
Depreciation		(292)	(344)
Amortisation		(598)	(861)
Group operating profit before exceptional costs		1,724	3,210
Exceptional costs	4	(71)	(1,627)
Group operating profit	4	1,653	1,583
Other interest receivable and similar income		1	3
Interest payable and similar charges	7	(45)	(50)
Profit on ordinary activities before taxation		1,609	1,536
Taxation on profit from ordinary activities	10	(267)	(750)
Profit on ordinary activities after taxation for the year / period		1,342	786
Other comprehensive income			
Actuarial losses on defined benefit pension scheme		(3,208)	(68)
Taxation in respect of items of pension scheme		474	58
Exchange translation differences on consolidation		576	(346)
Other comprehensive loss for the year / period		(2,158)	(356)
Total comprehensive (loss) / income for the year / period		(816)	430

All amounts related to continuing activities.

*EBITDA before exceptional costs is earnings before interest, tax, depreciation, amortisation and exceptional costs. Revenue of £229,000 and loss after tax of £29,000 arise in the period from acquisition to 31 December 2016 relating to the trade and assets acquired from Applied Comfort Products Inc (see note 26).

The notes on pages 18 to 45 form part of these financial statements.

Carver Group Limited

Consolidated statement of financial position at 31 December 2016

Company number 509127	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Intangible assets	11		10,291		2,930
Tangible assets	12		2,898		2,572
			<hr/>		<hr/>
			13,189		5,502
Current assets					
Stocks	14	5,341		3,019	
Debtors	15	8,586		5,686	
Cash at bank and in hand	16	6,873		3,224	
		<hr/>		<hr/>	
		20,800		11,929	
Current liabilities					
Creditors: amounts falling due within one year	17	(10,990)		5,575	
		<hr/>		<hr/>	
Net current assets			9,810		6,354
Total assets less current liabilities			<hr/>		<hr/>
			22,999		11,856
Creditors: amounts falling due after more than one year	18	10,009		288	
Provisions for liabilities	21	531		751	
		<hr/>	(10,540)	<hr/>	(1,039)
Net assets excluding pension scheme liabilities			<hr/>		<hr/>
			12,459		10,817
Pension scheme liabilities	22		(3,130)		(422)
Net assets including pension scheme liabilities			<hr/>		<hr/>
			9,329		10,395
			<hr/>		<hr/>

Carver Group Limited

Consolidated statement of financial position (*continued*) at 30 June 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Capital and reserves					
Called up share capital	23		400		400
Capital redemption reserve			10,902		10,902
Profit and loss account			(1,973)		(907)
			<hr/>		<hr/>
Total equity			9,329		10,395
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 14/09/2017



A D Killeen
Director

The notes on pages 18 to 45 form part of these financial statements.

Carver Group Limited

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	400	10,902	(907)	10,395
Comprehensive income for the year:				
Profit for the year	-	-	1,342	1,342
Actuarial loss on pension scheme	-	-	(3,208)	(3,208)
Deferred taxation in respect of pension scheme	-	-	474	474
Exchange translation differences on consolidation			576	576
	-	-	(2,158)	(2,158)
Other comprehensive loss for the year	-	-	(2,158)	(2,158)
Total comprehensive loss for the year	-	-	(816)	(816)
Distributions to owners				
Dividends	-	-	(250)	(250)
Balance at 31 December 2016	400	10,902	(1,973)	9,329

Consolidated statement of changes in equity for the 17 month period ended 31 December 2015

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 August 2014	400	10,902	(962)	10,340
Comprehensive income for the period:				
Profit for the period	-	-	786	786
Actuarial loss on pension scheme	-	-	(68)	(68)
Deferred taxation in respect of pension scheme	-	-	58	58
Exchange translation differences on consolidation			(346)	(346)
Other comprehensive loss for the period	-	-	(356)	(356)
Total comprehensive income for the period	-	-	430	430
Distributions to owners				
Dividends	-	-	(375)	(375)
Balance at 31 December 2015	400	10,902	(907)	10,395

The notes on pages 18 to 45 form part of these financial statements.


Carver Group Limited

Company statement of financial position at 31 December 2016

Company number 509127	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	11		488		423
Fixed asset investments	13		19,500		19,500
			<u>20,526</u>		<u>19,923</u>
Current assets					
Debtors	14	13,070		501	
Cash at bank and in hand	16	20		4	
		<u>13,090</u>		<u>505</u>	
Current liabilities					
Creditors: amounts falling due within one year	17	8,884		6,892	
Net current assets/liabilities			<u>4,206</u>	<u>(6,387)</u>	
Total assets less current liabilities			<u>24,194</u>	<u>13,536</u>	
Creditors: amounts falling due after more than one year	18		(9,886)		-
Net assets excluding pension liability			<u>14,308</u>	<u>13,536</u>	
Pension liability	22		(1,002)		(58)
Net assets including pension scheme liabilities			<u>13,306</u>	<u>13,478</u>	
Capital and reserves					
Called up share capital	23		400		400
Capital redemption reserve			10,902		10,902
Profit and loss account			2,004		2,176
Total equity			<u>13,306</u>	<u>13,478</u>	

Parent company profit after tax for the year / period was £1,235,000 (2015 - £1,209,000 loss).

The financial statements were approved by the board of directors and authorised for issue on 14/09/2017


A D Killeen
Director

The notes on pages 18 to 45 form part of these financial statements.

Carver Group Limited

Company statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	400	10,902	2,176	13,478
Comprehensive income for the year:				
Profit for the year	-	-	1,235	1,235
Actuarial loss on pension scheme	-	-	(1,318)	(1,318)
Deferred taxation in respect of pension schemes	-	-	161	161
Other comprehensive loss for the year	-	-	(1,157)	(1,157)
Total comprehensive income for the year	-	-	78	78
Distributions to owners				
Dividends	-	-	(250)	(250)
Balance at 31 December 2016	400	10,902	2,004	13,306

Company statement of changes in equity for the 17 month period ended 31 December 2015

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 August 2014	400	10,902	3,835	15,137
Comprehensive income for the period:				
Profit for the period	-	-	(1,209)	(1,209)
Actuarial loss on pension scheme	-	-	(110)	(110)
Deferred taxation in respect of pension schemes	-	-	35	35
Other comprehensive loss for the period	-	-	(75)	(75)
Total comprehensive loss for the period	-	-	(1,284)	(1,284)
Distributions to owners				
Dividends	-	-	(375)	(375)
Balance at 31 December 2015	400	10,902	2,176	13,478

The notes on pages 18 to 45 form part of these financial statements.

Carver Group Limited

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year / period		1,342	786
Depreciation of tangible fixed assets		292	344
Amortisation of intangible fixed assets		598	861
Net interest expense		44	47
Taxation expense		267	750
Decrease/ (increase) in stock		(142)	310
Decrease/ (increase) in trade and other debtors		(758)	909
Increase/ (decrease) in trade, other creditors and provisions		(325)	(1,302)
Foreign exchange		54	(129)
		<hr/>	<hr/>
		1,372	2,576
Cash from operations			
Interest paid		(45)	(50)
Taxation paid		(748)	(293)
		<hr/>	<hr/>
Net cash from operating activities		579	2,233
		<hr/>	<hr/>
Investing activities			
Proceeds on disposal of tangible fixed assets		1	-
Purchase of tangible fixed assets		(365)	(293)
Interest received		1	3
Purchase of business operations	26	(11,059)	-
		<hr/>	<hr/>
Net cash used in investing activities		(11,422)	(290)
		<hr/>	<hr/>
Financing activities			
New bank loans		10,735	-
Repayment of obligations under finance leases		(71)	(41)
Equity dividends paid		(250)	(375)
		<hr/>	<hr/>
Net cash used in financial activities		10,414	(416)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(429)	1,527
Cash and cash equivalents at beginning of year		3,224	1,855
Foreign exchange gains and losses		429	(158)
		<hr/>	<hr/>
Cash and cash equivalents at end of year		3,224	3,224
		<hr/>	<hr/>
Cash and cash equivalents comprise:			
Cash at bank and in hand	16	6,873	3,224
Bank overdrafts	17	(3,649)	-
		<hr/>	<hr/>
Cash and cash equivalents at end of year		3,224	3,224
		<hr/>	<hr/>

The notes on pages 18 to 45 form part of these financial statements.

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

General information

Carver Group Limited is a group incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activity is set out in the strategic report.

Basis of accounting

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 United Kingdom 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 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

Accounting period

These financial statements represent the period starting 1 January 2016 to 31 December 2016. The comparative period represented the 17 month period starting 1 August 2014 to 31 December 2015.

The following principal accounting policies have been applied:

Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Functional and presentational currencies

The consolidated financial statements are presented in sterling which is also the functional currency of the group.

Basis of consolidation

The consolidated financial statements incorporate the results of Carver Group Limited and all of its subsidiary undertakings as at 31 December 2016 using the acquisition method of accounting, where the results of subsidiary undertakings are included from the date of acquisition.

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Going concern

The financial statements have been prepared on the going concern basis. As detailed in the Directors' Report, the Directors have considered the principal risks and uncertainties that apply to the business and believe that it is appropriate to prepare the accounts on this basis.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'sterling', which is the company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Turnover

Turnover from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

Intangible assets

Goodwill arising on acquisitions of subsidiaries is the difference between the fair value of the consideration paid and the fair value of the assets acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 10 to 20 years.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost less depreciation.

Depreciation is provided to write off the cost of all tangible fixed assets, except for freehold land, over their expected useful lives. It is calculated at the following rates:

Land and buildings	5% - 33% per annum
Plant and machinery	10% - 33% per annum

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

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Impairment of fixed assets

Assets that are subject to depreciation and amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is a need for reversal of impairment.

Fixed asset investments

In the statement of financial position of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

At each reporting date, inventories are assessed for impairment. If inventory 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.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Current and deferred taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation (continued)

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit and loss over the shorter of estimated useful economic life and term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Rents paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease. 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 1 August 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

Warranty provision

Provision is made for the expected cost of warranty work in respect of products delivered and invoiced.

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.

Pension costs

Defined contribution pension plan

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

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Pension costs (continued)

Defined benefit schemes

The group is a participating member of the Carver Group Pension Scheme and the Biddle Pension Scheme. The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the statement of financial position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The employer's portion of current and past service costs are charged to operating profit with the net interest also being recognised in the income statement. Actuarial gains and losses are recognised in other comprehensive income. The detail of the most recent actuarial valuation of the schemes is also set out within these financial statements.

Employee share ownership plan

The Biddle ESOP is a Jersey resident trust holding shares in the company's parent undertaking for the long term benefit of employees of the Carver Group Limited group of companies. In accordance with UITF Abstract 38 (Accounting for ESOP trusts), the trust's income and expenditure, together with its assets and liabilities, have been incorporated into the company's accounts. The reserves of the trust are shown separately since they are not available for distribution to shareholders. Dividends on shares owned by the trust are waived.

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 accounts receivable and trade and other accounts payables, loans from banks and other third parties, loans to related parties

Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method.

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 Income Statement.

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.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instruments contractual obligations, rather than the financial instruments legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured the transaction price (including transactions costs) and subsequently held at amortised costs.

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayment 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 no significant risk of change in value.

2 Critical accounting estimates and areas of judgement

In applying the Group's accounting policies set out above management is required to make certain estimates and judgments concerning the future. These judgments are regularly reviewed and updated as necessary. The estimates and judgments that have the most significant effect on the amounts included in these financial statements are as follows:

a) Intangible assets and amortisation

The company is required to determine the fair value of intangible assets acquired as part of business combinations and estimate the useful economic life of those assets in order to determine appropriate amortisation rates. Both the initial valuation and the assessment of the assets' useful economic life require significant assumptions to be made. Changes in these underlying assumptions could have a significant impact on the carrying value of these assets.

b) Useful lives of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly.

c) Trade debtors

The company reviews the recoverability of trade debtors and makes allowances for doubtful debts where considered appropriate.

d) Inventory provisions

Company stock levels are constantly reviewed and should there be any indication of impairment or obsolescence the stock is written down to its assessed net realisable value.

e) Defined benefit pension schemes

The valuation of the net defined benefit pension scheme liability is determined on an actuarial basis using the projected unit method discounted at a rate using the current rate of return on high quality corporate bonds of equivalent term and currency to the liability. Assumptions are made about the mortality of the beneficiaries of the pension scheme, and future rates of inflation. The assumptions underlying this calculation are discussed in more detail in note 22. Significant changes to the assumptions underlying these calculations over the next financial year could result in significant changes to the carrying value of the pension scheme liability.

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

3 Turnover

	31 December 2016 £'000	17 months ended 31 December 2015 £'000
Analysis by geographical market:		
United Kingdom	10,652	14,747
Europe	20,558	28,032
Rest of the World	839	299
	<u>32,049</u>	<u>43,078</u>

4 Operating profit

	31 December 2016 £'000	17 months ended 31 December 2015 £'000
This is arrived at after charging/ (crediting):		
Cost of stock as an expense	12,181	16,856
Exceptional costs	71	1,627
Depreciation of tangible fixed assets	292	344
Amortisation of other intangible assets	598	861
Hire of plant and machinery - operating leases	132	75
Hire of other assets - operating leases	147	148
Exchange differences	11	54
Fees payable to the company's auditor for the auditing of the company's annual accounts	15	15
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	75	81
- taxation compliance services	13	19
- other non-audit services	3	6
Defined benefit pension cost (see note 22)	40	59
	<u></u>	<u></u>

Exceptional costs

During the prior period the group consolidated the Bromsgrove operating site into the Nuneaton operating site as well as changing the management team structure resulting in significant reorganisation costs. During the current year results management successful negotiated a contract which result in the reduction of the onerous lease provision and dilapidations and as a result an exception credit of £75,000 arose as a result of the release of the provision made in the prior period which has been offset against exceptional reorganisation costs of £146,000 incurred during the year

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

5 Employees

Group

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Staff costs consist of:		
Wages and salaries	9,841	13,151
Social security costs	1,726	2,225
Other pension costs	506	733
	<u>12,073</u>	<u>16,109</u>

The average number of employees during the year was as follows:

	Number	Number
Production and maintenance	130	137
Sales and service	58	61
Administration	32	35
	<u>220</u>	<u>233</u>

Company

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Staff costs consist of:		
Wages and salaries	1,420	1,858
Social security costs	196	263
Other pension costs	49	87
	<u>1,665</u>	<u>2,208</u>

The average number of employees during the year was as follows:

	Number	Number
Administration	7	9

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

6 Directors' remuneration

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Directors' emoluments	1,403	1,882
Company contributions to money purchase pension schemes	43	83

The total amount payable to the highest paid director in respect of emoluments was £642,000 (2015 - £713,000). Company pension contributions of £18,000 (2015 - £57,000) were made to a money purchase scheme on their behalf.

During the year retirement benefits were accruing to 3 directors (2015 - 3) in respect of money purchase pension schemes.

7 Interest payable and similar charges

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Bank loans and overdrafts	37	11
Finance leases and hire purchase contracts	-	3
Financing pensions	8	36
	<u>45</u>	<u>50</u>

8 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a profit after tax of £1,235,000 (2015 - £1,109,000 loss) which is dealt with in the financial statements of the parent company.

9 Dividends

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Ordinary shares		
Interim dividends paid during the period of £0.625 (2015 £0.938) per share	250	375

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

10 Taxation on profit on ordinary activities

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	-	-
Adjustment in respect of previous periods	(58)	(5)
	<u>(58)</u>	<u>(5)</u>
<i>Foreign tax</i>		
Current tax on profits of the year	317	572
Adjustment in respect of previous periods	-	6
	<u>317</u>	<u>578</u>
Total current tax	<u>259</u>	<u>573</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	41	150
Adjustment in respect of previous periods	(41)	5
Effect of change in tax rate	8	22
	<u>8</u>	<u>177</u>
Movement in deferred tax provision	<u>8</u>	<u>177</u>
Taxation on profit on ordinary activities	<u>267</u>	<u>750</u>

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

Taxation on profit on ordinary activities (*continued*)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Profit on ordinary activities before tax	1,609	1,831
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20 %)	322	366
Effect of:		
Expenses not deductible for tax purposes	128	216
Adjustment to tax charge in respect of previous periods	(99)	-
Other	(116)	46
Foreign tax rate differences	32	122
Total tax charge for the year/period	267	750

In addition to the above a deferred tax credit relating to items recognised in other comprehensive income of £474,000 (2015 - £58,000) has been recognised.

Factors that may affect future tax charges

The corporation tax rate was 20% from the 1 April 2015. The summer budget on 8 July 2015 announced that the rate will reduce to 19% as of 1 April 2017 and 17% as of 2020. This will reduce the company's future current tax accordingly. Deferred tax has been calculated at 17% being the rate substantively enacted at the year end.

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

11 Intangible fixed assets

Group	Customer Relationships £'000	Brand £'000	Goodwill £'000	Total £'000
<i>Cost</i>				
At 1 January 2016	-	-	13,951	13,951
Acquisition of trade and assets (note 26)	2,472	732	4,755	7,976
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,472	732	18,706	21,927
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 1 January 2016	-	-	11,021	11,021
Charge for the year	15	2	581	598
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	15	2	11,602	11,619
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2016	2,457	730	7,104	10,291
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	-	-	2,930	2,930
	<hr/>	<hr/>	<hr/>	<hr/>

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

12 Tangible fixed assets

Group	Land and buildings £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>			
At 1 January 2016	3,194	4,698	9,550
Additions	38	327	365
Acquisition of trade and assets (note 26)		172	172
Disposals	-	(31)	(31)
Exchange differences	218	367	585
At 31 December 2016	3,450	5,532	8,932
<i>Depreciation</i>			
At 1 January 2016	1,517	3,803	5,320
Provided for the year	66	227	292
Disposals	-	(30)	(30)
Exchange differences	176	326	502
At 31 December 2016	1,759	4,325	6,084
<i>Net book value</i>			
At 31 December 2016	1,691	1,207	2,898
At 31 December 2015	1,667	895	2,572

The net book value of tangible fixed assets includes an amount of £278,000 (2016 - £339,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year / period was £44,000 (2015 - £53,000).

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

Tangible fixed assets (*continued*)

Company	land and buildings £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>			
At 1 December 2016	578	89	667
Additions	-	87	87
Disposals	-	(16)	(16)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	578	160	738
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 December 2016	168	76	244
Provided for the year	11	11	22
Disposals	-	(15)	(16)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	178	72	250
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2016	401	88	488
	<hr/>	<hr/>	<hr/>
At 31 December 2015	410	13	423
	<hr/>	<hr/>	<hr/>

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

13 Fixed asset investment

Company	Group undertakings £'000
<i>Cost</i>	
At 1 January 2015	24,931
<i>Provisions</i>	
At 1 January 2016 and 31 December 2016	5,431
<i>Net book Value</i>	
At 31 December 2015 and 31 December 2016	19,500

Subsidiary undertakings, associated undertakings and other investments

The undertakings in which the company's interest at the year end is 20% or more are as follows:

<i>Subsidiary undertakings</i>	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held
Carver Climate Systems Limited *	England	100%
Biddle Air Systems Limited **	England	100%
Biddle BV **	Netherlands	100%
Biddle NV **	Belgium	100%
Biddle EURL **	France	100%
Carver Climate Systems GmbH **	Germany	100%
Biddle GmbH **	Germany	100%
Thermoscreens GmbH **	Germany	100%
Thermoscreens Limited **	England	100%
Biddle Air Systems Limited **	Canada	100%
Carver & Co (Engineers) Limited *	England	100%
Widney Leisure Limited *	England	100%
Carver Climate Holdings Inc **	Canada	100%
Applied Comfort Products Carver Inc **	Canada	100%

* - interest held by company

** - interest held by the group

The nature of the business of each undertaking is shown in the Strategic report.

The directors consider that there is no further material impairment to the recorded investment values as at 31 December 2016.

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

14 Stocks

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Raw materials and consumables	3,659	1,870	-	-
Work in progress	158	132	-	-
Finished goods and goods for resale	1,524	1,017	-	-
	<u>5,341</u>	<u>3,019</u>	<u>-</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above. Impairment losses relating to damaged or obsolete inventories and included in cost of sales amount to £133,000 (£34,000). Stock provisions of £1,085,000 (2015 - £376,000) are deducted from gross stock figures above.

15 Debtors

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
<i>Debtors less than one year:</i>				
Trade debtors	6,239	4,799	-	-
Amounts owed from subsidiary undertakings	-	-	11,860	-
Corporation tax recoverable	376	-	823	457
Prepayments and accrued income	791	510	159	34
Other debtors	664	227	44	-
Deferred tax (note 19)	25	136	(24)	-
	<u>8,095</u>	<u>5,672</u>	<u>12,862</u>	<u>491</u>
<i>Debtors greater than one year:</i>				
Deferred tax (note 19)	569	14	208	10
	<u>8,664</u>	<u>5,686</u>	<u>13,070</u>	<u>501</u>

The impairment charge recognise in administrative expenses in respect of bad and doubtful debts was £42,000 (2015 - £145,000). Bad debt provisions of £159,000 (2015- £179,000) are deducted from gross debtors in the figures above.

16 Cash at bank and in hand

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
UK	4,932	363	20	4
Overseas	1,779	2,675	-	-
Biddle ESOP	162	186	-	-
	<u>6,873</u>	<u>3,224</u>	<u>20</u>	<u>4</u>

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

17 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Bank overdrafts	3,649	-	6,551	6,014
Bank loans	849	-	849	-
Trade creditors	2,459	1,954	4	3
Amounts owed to group undertakings	-	-	114	-
Corporation tax	103	208	-	-
Other taxation and social security	520	618	80	154
Obligations under finance lease and hire purchase contracts	86	77	-	-
Other creditors	206	557	-	-
Accruals and deferred income	3,118	2,161	1,286	721
	<u>10,990</u>	<u>5,575</u>	<u>8,884</u>	<u>6,892</u>

18 Creditors: amounts falling due after more than one year

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Bank loans	9,886	-	9,886	-
Obligations under finance lease and hire purchase contracts	123	203	-	-
Accruals and deferred income	-	85	-	-
	<u>10,009</u>	<u>288</u>	<u>9,886</u>	<u>-</u>

Maturity of debt:

Group

	Loan and overdrafts 31 December 2016 £'000	Loan and overdrafts 31 December 2015 £'000	Finance leases 31 December 2016 £'000	Finance leases 31 December 2015 £'000
In one year or less, or on demand	4,498	-	86	77
In more than one year but not more than two years	1,231	-	123	163
In more than two years but not more than five years	8,655	-	-	40
	<u>9,886</u>	<u>-</u>	<u>123</u>	<u>203</u>

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

Creditors: amounts falling due after more than one year (*continued*)

Maturity of debt (*continued*)

Company

	Loan and overdrafts 31 December 2016 £'000	Loan and overdrafts 31 December 2015 £'000	Finance leases 31 December 2016 £'000	Finance leases 31 December 2015 £'000
In one year or less, or on demand	7,400	6,014	-	-
In more than one year but not more than two years	1,231	-	-	-
In more than two years but not more than five years	8,655	-	-	-
	9,886	-	-	-

The bank loans are secured by a first legal mortgage over the freehold property and by a fixed and floating charge over all current and future assets of the company.

Finance lease creditors are secured on the assets to which they relate.

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

19 Deferred tax

Group	£'000
At 1 January 2016	150
Charged to statement of comprehensive income	(8)
Credited to other comprehensive income	474
Exchange differences	(22)
	<hr/>
At 31 December 2016	594
	<hr/>
Company	£'000
At 1 January 2016	10
Charged to statement of comprehensive income	174
	<hr/>
At 31 December 2016	184
	<hr/>

The provision for deferred taxation is made up as follows:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
<i>Accelerated capital allowances</i>				
Short term timing differences	25	136	(24)	-
Deferred tax asset on pension	569	14	208	10
	<hr/>	<hr/>	<hr/>	<hr/>
	594	150	184	10
	<hr/>	<hr/>	<hr/>	<hr/>

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

20 Financial instruments

The carrying amount of the Group financial instruments at 31 December 2016 were:

	2016 £'000	2015 £'000
Financial assets		
Financial assets measured at amortised cost	14,566	8,250
	<u> </u>	<u> </u>
Financial liabilities		
Financial liabilities measured at amortised cost	17,258	5,037
	<u> </u>	<u> </u>

All financial instruments are held at amortised cost.

Financial assets measured at amortised cost include trade debtors, prepayments, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost include bank loans and overdrafts, trade creditors, finance lease and hire purchase amounts due, other creditors and accruals.

21 Provisions for liabilities

Group	Warranty provision £'000	Dilapidations and onerous lease provisions £'000	Total £'000
At 1 January 2016	212	539	751
Charged to profit and loss account	191	(82)	109
Utilised in period	(55)	(257)	(312)
Exchange adjustments	(17)	-	(17)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016	331	200	531
	<u> </u>	<u> </u>	<u> </u>

Warranty provisions are created when the group has given a guarantee to cover the reliability and performance of products over an extended period. The balance at the year end matures within five years of the balance sheet date.

Dilapidations provisions of £163,000 (2015 - £250,000) have been recognised for expected expenditure on an operating site of the group that was exited during the period where the group has an obligation to restore the depots to their original condition at the end of the lease.

Onerous lease provisions of £37,000 (2015 - £289,000) are the committed rent, rates and insurance costs of the old operating sites which are still payable following the reorganisation of the group's operations.

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

22 Pensions

The group operates three principal pension schemes for the benefit of its United Kingdom based employees and contributes to various defined contribution schemes for employees based in the United Kingdom and its other European businesses.

The first principal UK scheme is known as the Carver Pension Scheme and is a defined contribution scheme, but with a final salary guarantee provided for pre 1992 service. The scheme was closed to further member contributions from 30 June 2014. The scheme's assets are held separately from those of any group company, being invested in unitised pooled funds.

The second principal UK scheme is known as the Biddle Pension and Life Assurance Plan and is a defined benefit scheme. The scheme has been closed to new members with effect from 6 April 2000. The scheme's assets are held separately from those of any group company, being invested in unitised pooled funds. A full actuarial valuation of the defined benefit scheme was carried out at 6 April 2014 by a qualified independent actuary. Contributions to the scheme are made by the group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

The third principal scheme is defined contribution Group Personal Pension (GPP) plan managed by Standard Life plc for the benefit of its United Kingdom based employees.

Pension benefits generally depend upon age, length of service and salary level. The group also provides other pension related benefits to scheme members which include life insurance.

Following the redemption of preference shares in December 2011 and subsequent refinancing, the company reached agreement over the funding position of the schemes with the respective trustees in the form of the following. On 11 December 2011, subsidiary companies entered into a guarantee and indemnity in respect of the liabilities of Carver Group Limited and Biddle Air Systems Limited (subsidiary) in respect of their future funding obligations to their respective defined benefit schemes in the event of a default on their obligations to fund the schemes.

Carver Group Pension Scheme and Biddle Pension scheme

	2016 £'000	2015 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(20,306)	(20,287)
Current service cost	(83)	(129)
Interest cost	(736)	(1,139)
Actuarial (losses)/gains	(3,272)	103
Transfers from defined contribution section of schemes	(227)	(118)
Benefits paid	1,025	1,264
	<hr/>	<hr/>
At the end of the year	(23,599)	(20,306)
	<hr/>	<hr/>
Composition of plan liabilities		
	2016 £'000	2015 £'000
Schemes wholly or partly funded	(23,599)	(20,306)
	<hr/>	<hr/>

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

Pensions (continued)

	2016 £'000	2015 £'000
Reconciliation of fair value of schemes' assets		
At the beginning of the year	19,884	19,435
Expected rate of return on scheme assets	728	1,103
Actuarial gains / (losses)	64	(171)
Transfers from defined contribution section of schemes	227	118
Contributions by employer	591	663
Benefits paid	(1,025)	(1,264)
	<hr/>	<hr/>
At the end of the year	20,469	19,884
	<hr/>	<hr/>
Reconciliation to balance sheet		
Fair value of plan assets	20,469	19,884
Present value of plan liabilities	(23,599)	(20,306)
	<hr/>	<hr/>
Net pension scheme liability	(3,130)	(422)
	<hr/>	<hr/>
Included in administrative expenses:		
Current service cost	(83)	(129)
	<hr/>	<hr/>
Included in other finance (income)/expense:		
Interest cost	(8)	(36)
	<hr/>	<hr/>
	Year ended 31 December 2016 £'000	17 months ended 31 December 2015 £'000
Analysis of actuarial loss recognised in Other Comprehensive Income		
Actual return less expected return on pension schemes' assets	64	(171)
Changes in assumptions underlying the present value of the scheme liabilities	(3,272)	103
	<hr/>	<hr/>
	(3,208)	(68)
	<hr/>	<hr/>

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

Pensions (continued)

Plan assets

Investments of the defined benefit schemes are diversified, such that failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets invested in equities, although the schemes also invest in other assets including bonds and cash. The asset allocations at the year end were as follows:

	2016 £'000	2015 £'000
Composition of schemes' assets		
UK corporate bonds	629	503
UK government bonds	40	35
Insurance policy annuities	9,331	9,596
GARS	9,566	9,617
Cash	904	133
	<hr/>	<hr/>
Total schemes' assets	20,469	19,884
	<hr/>	<hr/>

Narrative description of the basis used to determine the overall rate of return of return of assets

Overall expected rate of return on schemes' assets is based on historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class.

	2016 £'000	2015 £'000
Actual return on schemes' assets	792	932
	<hr/>	<hr/>

	2016	2015
Principal actuarial assumptions used at the balance sheet date		
Discount rates	2.60%	3.65%
Future salary increases	3.55%	3.15%
CPI inflation	2.20%	1.80%
Life expectancy of currently male pensioners aged 65 at FRS17 date	21.6	21.6
Life expectancy of future male pensioners aged 45 at FRS17 date	23.0	22.9

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

23 Share capital

	2016 £'000	2015 £'000
<i>Allotted, called up and fully paid</i> Ordinary shares of £1 each	400	400

24 Reserves

Share capital

The nominal value of allotted and fully paid up ordinary share capital

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

25 Commitments under operating leases

Group	2016 £'000	2015 £'000
Amounts due:		
Within 1 year	168	135
Between one and five years	362	382
	<hr/>	<hr/>
	530	517
	<hr/>	<hr/>
Company	2016 £'000	2015 £'000
Amounts due:		
Within 1 year	27	20
Between one and five years	33	60
	<hr/>	<hr/>
	60	80
	<hr/>	<hr/>

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

26 Acquisition of trade and assets

Acquisition of the trade and assets of Applied Comfort Products Inc

On 9 December 2016 the group acquired the trade and assets of Applied Comfort Products Inc for £10,289,000.

In calculating the goodwill arising on the acquisition, the fair value of net assets of the trade and assets of Applied Comfort Products Inc have been assessed. Adjustments were made to reflect the fair value of the brand, customer relationship and other intangibles assets acquired. These were calculated by the directors as follows:

- Customer relationships- customer lists of £2,472,000 have been identified on acquisition and have been valued using a discounted cash flow model of expected returns.
- Brands- brands of £732,000 have been identified on acquisition and have been valued using a discounted cash flow model of expected returns.

Other than these adjustments no further fair value adjustments were considered by the directors.

	Book value £'000	Fair value adjustments £'000	Book and fair value £'000
Intangible assets	-	3,204	3,204
Tangible fixed assets	172	-	172
Stock	2,180	-	2,180
Debtors	1,400	-	1,400
Total assets	3,752	3,204	6,956
Creditors	(568)	-	(568)
Provisions for liabilities	(86)	-	(86)
Net assets acquired	3,098	3,204	6,302
			£'000
Cash consideration			10,405
Direct costs of acquisition			654
Net assets acquired			(6,302)
Goodwill (note 11)			4,755

Carver Group Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

Acquisition of trade and assets (continued)

<i>Cash flow on acquisition</i>	£'000
Cash consideration	11,059
Cash and cash equivalents in subsidiary acquired	-
	<hr/>
Cash flow on acquisition	11,059
	<hr/>

Revenue of £229,000 and loss after tax of £29,000 arise in the period from acquisition to 31 December 2016 relating to the trade and assets acquired from Applied Comfort Products Inc.

The useful economic life of good will has been estimated to be 10 years, based on estimates by the directors.

There were no acquisitions in the 17 month period 31 December 2015.

27 Related party disclosures

The group has taken advantage of the exemption conferred by section 33.1A of Financial Reporting Standard 102 'Related party disclosures' not to disclose transactions between Carver Group Limited and its wholly owned subsidiaries.

Key management remuneration

Key management personnel represents the directors of the group and company as they have the responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. During the year/ period, the key management personnel remuneration was £1,622,000 (2015 – £2,223,000).

28 Contingent liabilities

On 11 December 2011, the company (along with other group companies) entered into a guarantee and indemnity in respect of the liabilities of Biddle Air Systems Limited (subsidiary) in respect of its future funding obligations to the defined benefit schemes in the event of a default on any obligations to fund the scheme.

The valuation, calculated by the actuary on an FRS 102 projected unit basis, shows a deficit on the Biddle Scheme of £2,128,000 after tax at 31 December 2016 (2015 - £364,000).

The company has granted its freehold land and buildings as security over the above pension liabilities and also the liabilities of the Carver Pension Scheme.

To date there has been no default event and as such, no amounts have been provided under the guarantee and indemnity.

The company is party to a cross guarantee in respect of the group overdraft facility. There is a floating charge over the assets of the company in relation to this guarantee. The group liability at 31 December 2016 was £3,649,000 (2015 - £Nil).

Carver Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

29 First time adoption of FRS 102

Group	Note	Equity as at 1 August 2014 £'000	Profit for the period ended 31 December 2015 £'000	Equity as at 31 December 2015 £'000
As previously stated under UK GAAP		10,340	1,097	10,454
Transitional adjustments				
Deferred tax on pension liability	a	-	(16)	(16)
Defined benefit pension schemes	b	-	(252)	-
Biddle ESOP	c	-	(43)	(43)
As stated in accordance with FRS102		10,340	(786)	10,395
Company	Note	Equity as at 1 August 2014 £'000	Profit for the period ended 31 December 2015 £'000	Equity as at 31 December 2015 £'000
As previously stated under UK GAAP		15,137	1,127	13,478
Transitional adjustments				
Deferred tax on pension liability	a	-	-	-
Defined benefit pension schemes	b	-	82	-
As stated in accordance with FRS102		15,137	1,284	13,478

Explanation of changes to previously reported profit and equity:

- Under FRS 102 the presentation of actuarial gains/(losses) on defined benefit schemes are presented within other comprehensive income rather than statement of total recognised gains and losses.
- As a result of FRS 102 valuation in respect of defined benefit pension scheme liabilities the deferred tax has been recalculated using the revised valuation and the deferred tax asset adjusted accordingly.
- On transition to FRS 102 an additional accrual in respect of the Biddle ESOP has been presented.