COMPANIES HOUSE COPY

# Longdon Estates Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 00502673



BDO

# Longdon Estates Limited

**Report and financial statements**
**for the year ended 31 December 2017**

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**Directors**

Mrs A P Scott (Chairman)
Mr D W Arkley, FCA
Mrs J A Chamberlain
Mrs S G McKibbin
Mrs M C Rennison
Mr J C Scott, ACA
Mrs E C Wade Scott

**Secretary**

J C Scott, ACA

**Registered office**

Redhill Road, Hay Mills, Birmingham, B25 8EY

**Company number**

00502673

**Auditors**

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# Longdon Estates Limited

**Strategic report**
**for the year ended 31 December 2017**

## Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

## Principal activities

Longdon Estates has a majority (59.2%) shareholding in the UK engineering group Carter Thermal Industries Limited. Carter Thermal Industries Limited is the parent company of a group of companies engaged in the:

- design, installation, service and maintenance of refrigeration service and engineering services;
- design, manufacture and installation of retail display and commercial refrigeration equipment;
- design, manufacture and installation of environmental engineering equipment and liquid storage tanks;

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

## Business review

Group turnover was £128,548,757 (2016 - £104,493,496), which represents an increase of 23%, driven largely by expansion into overseas markets, including the USA and Australia. However, trading in all trading subsidiaries was challenging in what is a difficult and competitive market place and this placed pressure on results for the year. The year ended with an operating profit (after exceptional credits of £494,569) of £9,224 (2016: £417,40) and loss before taxation of £187,306 (2016: profit before tax: £294,510).

The growth in turnover was derived mainly from the group's refrigeration businesses, being the manufacture and installation of retail display and commercial refrigeration equipment, and related service and maintenance contracts.

During the year, the directors have taken advantage of supply chain finance arrangements with a number of key customers to manage working capital requirements. As part of cash management and to manage a more efficient van fleet, the company also undertook the sale and leaseback of its commercial fleet, which resulted in an exceptional gain in the year of £494,569.

The balance sheet remains strong, with net assets at 31 December 2017 of £25,864,557 (2016: £24,069,105).

## Future developments

The directors have already taken actions to reduce ongoing costs in subsidiary companies and are also seeking to improve the operating and market synergies available to what remain generally strong businesses supporting the supermarket sector. The directors have also taken specific actions to improve trading in the environmental engineering equipment and liquid storage tanks businesses. The group has made a reasonable start to FY2018 and the directors are confident that profitability will be improved in the current year whilst maintaining revenue.

## Principal risks and uncertainties

### *Competitive market place and risk of loss of customers*

The Group remains dependent upon the major UK supermarkets for the majority of its business, which remains a highly competitive market place. The Group is looking to consolidate its position in this market through improved customer service and providing quality innovative designs whilst moving into related areas and also overseas markets.

While a significant proportion of the group's business is direct with the major supermarkets the Group also deals with other contracting parties. The Group has credit insurance to cover credit failure and transacts business with overseas customers with Letters of Credit.

### *Credit Risk*

Credit risk is managed making appropriate enquiries of credit reference agencies and by monitoring payments against contractual obligations.

### *Cash flow*

The group monitors cash flow as part of its day-to-day control procedures. In addition, the directors regularly review the group's cash flow projections to ensure that appropriate facilities are available as necessary.

### *Currency risk*

The Group currently operates in the UK and certain overseas markets. As the Group expands into overseas markets it will increase its foreign currency exposure. Where the directors deem that a contract exposes the group to a material exchange risk then a foreign exchange contract is entered into to mitigate the exchange exposure.

As many of its manufacturing competitors are based outside the UK, the group's competitive position is affected by changes in exchange rates.

### *Reputational Risk*

The Group is exposed to the risk that poor quality products and service may have a detrimental effect on the reputation of the Group. In order to manage this risk, the Group has robust quality control processes in place, including ISO 9001, to ensure that all products and services meet and exceed the required standards of quality and are fully fit for purpose. This process is monitored by the board of directors and corrective action taken where necessary.

### *Regulatory Risk*

The group is exposed to risks arising from non-compliance and relevant laws and regulations. In order to manage this risk, the Board monitors the introduction of new legislation closely, and communicates key developments to managers and staff through internal channels. All relevant legislation is monitored on a departmental level by the relevant management staff, with robust procedures in place to report and act on non-compliance issues.

**Principal risks and uncertainties** *(continued)*

***Liquidity Risk***

At 31 December 2017 the net bank position was £3,224,580 (2016 - £1,287,792).

Net current assets at 31 December were £16,979,265 (2016 - £16,265,724). There was an increase in shareholders' funds to £25,864,557 (2016 decrease to - £24,069,105).

At 31 December 2017 the group had confirmed bank facilities of £4.75m and in June 2018 negotiated additional facilities of up to £2.5m to support its growing trading activities in the United States. These additional facilities will be drawn down based on the level of trade debtors in the US subsidiary company. The directors have also been able to utilise supply chain finance arrangements during this year to assist with cash flow management and this is expected to continue through much of FY2019.

The directors have prepared forecasts and projections for the period to June 2019 taking account of expected funding arrangements being retained and reasonable changes in trading performance. These forecasts show that the group can trade within its expected available facilities for at least the 12 months following the date of approval of these financial statements

**Key performance indicators**

Key performance indicators within the Group are specific to the nature of the operations of each business. This data is reported to each subsidiary Board each month.

The financial key performance indicators of the Group include:

- Turnover and profitability compared to budget
- Gross margins by Company and divisions
- Order intake
- Overheads and Full Time Employees compared to budget
- Cash movements

The key financial information on the group is shown in these financial statements and covered in overview in the business review section above. The directors are satisfied with current order intake and are managing the level of overheads and employees compared to budget. Proactive working capital management and analysis of historic and anticipated trading patterns assist the Board in its decision making, supported by three year strategic plans. Financial reviews are undertaken at Board level to analyse and understand current and future results.

**Approval**
This strategic report was approved on behalf of the Board on 23 August 2018.

J C Scott
**Director**

# Longdon Estates Limited

**Report of the directors**
**for the year ended 31 December 2017**

The directors present their directors together with the audited financial statements for the year ended 31 December 2017.

**Results and dividends**

The operating loss for the year before interest, tax and exceptional items amounted to £485,345 (2016 profit - £417,400); after interest, tax and exceptional items the loss for the year was £233,558 (2016 profit - £277,943). Actuarial gains/losses on the pension scheme and revaluation of the properties recorded in other comprehensive income gave a total comprehensive profit for the year of £1,939,452 (2016 loss - £1,846,345).

Interim dividends of £3.00 per share (2016 - £2.00 per share) were paid to ordinary shareholders during the year.

The consolidated statement of income is set out on page 10 and shows the results for the year.

**Directors**

The directors who served during the year were:

Mrs A P Scott (Chairman)
Mr D W Arkley, FCA
Mrs J A Chamberlain
Mrs S G McKibbin
Mrs M C Rennison
Mr J C Scott, ACA
Mr F Tennant (resigned 7 September 2017)
Mrs E C Wade Scott

**Financial risk management policy**

The directors have reviewed the financial risk management objectives and policies of the group and, where there is significant exposure to financial risks, the group policy laid down by the parent company, Carter Thermal Industries Limited, is followed. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers and management reviews these terms and the trade relationships.

**Financial Instruments**

The group's principal financial instruments comprise cash and balances with group undertakings and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk associated with the group's financial assets and liabilities are set out below.

**Employee involvement**

Employee representatives of the operating subsidiaries are informed of the economic factors affecting the performance of their company by means of regular meetings with management.

**Disabled employees**

Full and fair consideration is given to the employment of applicants who are disabled persons, taking account of their disabilities and abilities. Employees who become temporarily or permanently disabled are retained in employment where possible with fair regard to their training needs, role and career development. All employees are fairly and equally provided opportunities for any promotion opportunities.

**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to auditors**

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

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

**Qualifying third party indemnity provisions**

The company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006.

**Auditors**

Under section 487(2) of the Companies Act 2006, BOO LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

**On behalf of the Board**

J C Scott
**Director**

Date: 23 August 2018

**Independent auditor's report to the members of Carter Thermal Industries Limited**

## Opinion

We have audited the financial statements Longdon Estates Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions 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 have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and Director's report.

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

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

### Responsibilities of Directors

As explained more fully in the directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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.

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

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

BDO LLP

*Thomas Lawton (Senior statutory auditor)*
*for and on behalf of BDO LLP, Statutory auditor*
*Birmingham*
*United Kingdom*

Date: 4 September 2018

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

# Longdon Estates Limited

## Consolidated statement of comprehensive income
## for the year ended 31 December 2017

| | Note | 2017<br>£ | 2016<br>£ |
|---|---|---|---|
| **Turnover** | 3 | **128,548,757** | 104,493,496 |
| Change in stocks of finished goods and work in progress | | **2,215,290** | (1,320,323) |
| Other operating income | 4 | **-** | 165,629 |
| Raw materials and consumables | | **(56,932,044)** | (42,158,743) |
| Other external charges | | **(24,909,647)** | (15,111,054) |
| Staff costs | | **(40,234,862)** | (36,036,397) |
| Depreciation and amortisation | | **(1,862,313)** | (2,259,262) |
| Other operating charges | | **(7,310,526)** | (7,355,946) |
| **Earnings before interest, tax and exceptional items** | | **(485,345)** | 417,400 |
| **Exceptional items** | 34 | **494,569** | - |
| **Operating profit** | 5 | **9,224** | 417,400 |
| Interest receivable and similar income | 9 | **8,638** | 24,636 |
| Interest payable and expenses | 10 | **(205,168)** | (147,526) |
| **(Loss)/Profit before tax** | | **(187,306)** | 294,510 |
| Taxation on loss on ordinary activities | 11 | **(46,252)** | (16,567) |
| **(Loss)/Profit for the year after taxation** | | **(233,558)** | 277,943 |
| Minority interest | | **(82,848)** | 124,027 |
| Profit for the financial year attributable to the owners of the parent company | | **(150,710)** | 153,916 |
| Other comprehensive income: | | | |
| Actuarial gains / (losses) on defined benefit pension scheme | 31 | **247,000** | (2,545,000) |
| Tax in respect of (loss) on pension scheme | | **(41,990)** | 420,712 |
| Gain on revaluation of properties | 15,17 | **1,968,000** | - |
| Tax in respect of revaluation on properties | | **-** | - |
| **Other comprehensive income for the year** | | **2,173,010** | (2,124,288) |
| Minority interest | | **(886,476)** | 866,600 |
| **Total comprehensive income / (loss) for the year attributable to owners of the parent company** | | **1,135,824** | (1,103,772) |

All amounts related to continuing activities.

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

## Consolidated statement of financial position
## as at 31 December 2017

| *Company number 00502673* | Note | 2017 £ | 2017 £ | 2016 £ | 2016 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 14 | | **159,397** | | 318,799 |
| Tangible assets | 15 | | **14,433,843** | | 14,653,101 |
| Investments | 16 | | **2,594** | | 2,594 |
| Investment property | 17 | | **170,000** | | 170,000 |
| | | | **14,765,834** | | 15,144,494 |
| **Current assets** | | | | | |
| Stocks | 18 | **10,407,682** | | 6,595,295 | |
| Debtors | 19 | **33,107,939** | | 33,651,413 | |
| Cash at bank and in hand | 20 | **3,224,580** | | 1,287,792 | |
| | | **46,740,201** | | 41,534,500 | |
| **Creditors: amounts falling due within one year** | 21 | **(29,760,936)** | | (25,268,766) | |
| **Net current assets** | | | **16,979,265** | | 16,265,724 |
| **Total assets less current liabilities** | | | **31,745,099** | | 31,410,218 |
| **Creditors: amounts falling due after more than one year** | 22 | | **(2,067,287)** | | (2,422,821) |
| **Provisions for liabilities** | | | | | |
| Other provisions | 26 | | **(88,963)** | | (79,200) |
| **Net assets excluding pension liability** | | | **29,588,849** | | 28,908,197 |
| Pension liability | 31 | | **(3,724,292)** | | (4,839,092) |
| **Net assets** | | | **25,864,557** | | 24,069,105 |

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

**Consolidated statement of financial position**
**as at 31 December 2017**

| | Note | 2017 £ | 2017 £ | 2016 £ | 2016 £ |
|---|---|---|---|---|---|
| **Capital and reserves** | | | | | |
| Called up share capital | 27 | | **48,000** | | 48,000 |
| Share premium account | 28 | | **17,324** | | 17,324 |
| Capital redemption reserve | 28 | | **856,800** | | 856,800 |
| Profit and loss account | 28 | | **14,523,891** | | 13,532,067 |
| **Shareholders' funds** | | | **15,446,015** | | 14,454,191 |
| Minority interest | | | **10,418,542** | | 9,614,914 |
| | | | **25,864,557** | | 24,069,105 |

The financial statements were approved by the Board of Directors and authorised for issue on 23 August 2018.

J C Scott
**Director**

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

## Consolidated statement of cash flows
## for the year ended 31 December 2017

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| **(Loss)/ Profit for the year** | **(233,558)** | 277,943 |
| Adjustments for: | | |
| Depreciation and amortisation of fixed assets | **1,862,313** | 2,259,262 |
| Profit on sale of fixed assets | **(494,569)** | (165,629) |
| Net interest payable | **196,830** | 122,890 |
| Taxation | **46,252** | 16,567 |
| (Increase) in trade and other debtors | **501,898** | (11,277,977) |
| (Increase) in stocks | **(3,812,387)** | (63,947) |
| Decrease in creditors | **4,012,042** | 3,976,986 |
| (Decrease) in provisions (including pension) | **(975,337)** | (899,118) |
| **Cash from operations** | **1,103,484** | (5,753,023) |
| Interest paid | **(88,168)** | (43,526) |
| Taxation paid | **(65,389)** | - |
| **Net cash generated from operating activities** | **949,927** | (5,796,549) |
| **Cash from investing activities** | | |
| Purchase of tangible fixed assets | **(1,610,166)** | (2,049,537) |
| Sale of tangible fixed assets | **2,589,082** | 251,730 |
| Interest received | **8,638** | 24,636 |
| **Net cash from investing activities** | **987,554** | (1,773,171) |
| **Cash from financing activities** | | |
| Net repayment of finance leases | **143,307** | (226,520) |
| Dividends paid | **(144,000)** | (174,792) |
| **Net cash used in financing activities** | **(693)** | (401,312) |
| **Net (decrease) in cash and cash equivalents** | **1,936,788** | (7,971,032) |
| Cash and cash equivalents at beginning of year | **1,287,792** | 9,258,824 |
| **Cash and cash equivalents at the end of year** | **3,224,580** | 1,287,792 |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **3,224,580** | 1,287,792 |

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

**Consolidated statement of changes in equity**
**for the year ended 31 December 2017**

| | Share capital £ | Share premium £ | Redemption reserve £ | Retained earnings £ | Equity Attributable to Owners £ | Minority Interest £ | Total equity £ |
|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | **48,000** | **856,800** | **17,324** | **13.532,067** | **14,454,191** | **9,614,914** | **24,069,105** |
| **Comprehensive income for the year:** | | | | | | | |
| Loss for the year | - | - | - | **(150,710)** | **(150,710)** | **(82,848)** | **(233,558)** |
| **Other comprehensive income for the year:** | | | | | | | |
| Actuarial gain on pension scheme | - | - | - | **146,237** | **146,237** | **100,763** | **247,000** |
| Deferred tax in respect of pension | - | - | - | **(24,860)** | **(24,860)** | **(17,130)** | **(41,990)** |
| Revaluation of properties | - | - | - | **1,165,157** | **1,165,157** | **802,843** | **1,968,000** |
| **Other comprehensive income for the year** | - | - | - | **1,286,534** | **1,286,534** | **886,476** | **2,173,010** |
| **Total comprehensive income for the year** | - | - | - | **1,135,824** | **1,135,824** | **803,628** | **1,939,452** |
| **Distributions to owners:** | | | | | | | |
| Dividends: Equity capital | - | - | - | **(144,000)** | **(144,000)** | - | **(144,000)** |
| **At 31 December 2017** | **48,000** | **856,800** | **17,324** | **14,523,891** | **15,446,015** | **10,418,542** | **25,864,557** |

The notes on pages 19 to 50 form part of these financial statements.

## Longdon Estates Limited

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

| | Share capital £ | Share premium £ | Redemption reserve £ | Retained earnings £ | Equity attributable to owners £ | Minority interest £ | Total equity £ |
|---|---|---|---|---|---|---|---|
| **At 1 January 2016** | 48,000 | 856,800 | 17,324 | 14,731,839 | 15,653,963 | 10,436,279 | 26,090,242 |
| **Comprehensive income for the year:** | | | | | | | |
| Profit for the year | - | - | - | 153,916 | 153,916 | 124,027 | 277,943 |
| **Other comprehensive income for the year:** | | | | | | | |
| Actuarial loss on pension scheme | - | - | - | (1,506,771) | (1,506,771) | (1,038,229) | (2,545,000) |
| Deferred tax in respect of pension | - | - | - | 249,083 | 249,083 | 171,629 | 420,712 |
| **Other comprehensive income for the year** | - | - | - | (1,257,688) | (1,257,688) | (866,600) | (2,124,288) |
| **Total comprehensive income for the year** | - | - | - | (1,103,772) | (1,103,772) | (742,573) | (1,846,345) |
| **Distributions to owners:** | | | | | | | |
| Dividends: Equity capital | - | - | - | (96,000) | (96,000) | (78,792) | (174,792) |
| **At 31 December 2016** | 48,000 | 856,800 | 17,324 | 13.532,067 | 14,454,191 | 9,614,914 | 24,069,105 |

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

## Company statement of financial position
## as at 31 December 2017

| *Company number 00502673* | Note | 2017 £ | 2017 £ | 2016 £ | 2016 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Fixed asset investments | 15 | **15,120,326** | | | 13,954,028 |
| **Current assets** | | | | | |
| Debtors | 19 | **57,986** | | 58,074 | |
| Cash at bank and in hand | 20 | **314,180** | | 486,816 | |
| | | **372,166** | | 544,890 | |
| **Creditors: amounts falling due within one year** | 21 | **(46,472)** | | (44,722) | |
| **Net current assets** | | | **325,694** | | 500,168 |
| **Total assets less current liabilities** | | | **15,446,020** | | 14,454,196 |
| **Net assets** | | | **15,446,020** | | 14,454,196 |
| **Capital and reserves** | | | | | |
| Called up share capital | 27 | | **48,000** | | 48,000 |
| Revaluation reserve | | | **15,064,196** | | 13,897,898 |
| Capital redemption reserve | | | **1,000** | | 1,000 |
| Profit and loss account | | | **332,824** | | 507,298 |
| **Equity attributable to owners of the parent company** | | | **15,446,020** | | 14,454,196 |

Parent company loss after tax for the year was £30,474 (2016 – profit £88,268).

The financial statements were approved by the Board of Directors and authorised for issue on 23 August 2018.

J C Scott
**Director**

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

## Company statement of changes in equity
## for the year ended 31 December 2017

| | Share capital £ | Redemption reserve £ | Revaluation reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|
| **At 1 January 2017** | **48,000** | **1,000** | **13,897,898** | **507,298** | **14,454,196** |
| **Comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | (30,474) | (30,474) |
| **Other comprehensive income for the year** | | | | | |
| Revaluation of investment | - | - | 1,166,298 | - | 1,166,298 |
| **Total comprehensive income for the year** | - | - | 1,166,298 | (30,474) | 1,191,954 |
| **Distributions to owners** | | | | | |
| Dividends: Equity capital | - | - | - | (144,000) | (144,000) |
| **At 31 December 2017** | **48,000** | **1,000** | **15,064,196** | **332,824** | **15,446,020** |

The notes on pages 19 to 50 form part of these financial statements.

# Longdon Estates Limited

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

| | Share capital £ | Redemption reserve £ | Revaluation reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|
| **At 1 January 2016** | 48,000 | 1,000 | 15,089,937 | 515,029 | 15,653,966 |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 88,269 | 88,269 |
| **Other comprehensive income for the year** | | | | | |
| Revaluation of investment | - | - | (1,192,039) | - | (1,192,039) |
| **Total comprehensive income for the year** | - | - | (1,192,039) | 88,269 | (1,103,770) |
| **Distributions to owners** | | | | | |
| Dividends: Equity capital | - | - | - | (96,000) | (96,000) |
| **At 31 December 2016** | 48,000 | 1,000 | 13,897,898 | 507,298 | 14,454,196 |

The notes on pages 19 to 50 form part of these financial statements.

## 1 Accounting policies

### 1.1 Basis of preparation of financial statements

Longdon Estates Limited is a group and company incorporated in England & 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 activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

**Parent company disclosure exemptions:**

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- 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.

The following principal accounting policies have been applied:

### 1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

### 1.3 Going concern

At 31 December 2017 the group had confirmed bank facilities of £4.75m and in June 2018 negotiated additional facilities of up to £2.5m to support its growing trading activities in the United States. These additional facilities have been confirmed as having passed credit approval at the bank and are expected to be made available in the short term. These facilities will be drawn down based on the level of trade debtors in the US subsidiary company. The confirmed bank facilities and additional facilities are due for renewal at end December 2018. Given the historic relationship with their bank and the continued strength of the group balance sheet the directors are confident that these facilities will be renewed for a period of at least 12 months at a minimum of the current levels and terms on the renewal dates.

## 1 Accounting policies *(continued)*

### 1.3 Going concern *(continued)*

In addition, the directors have taken advantage of supply chain finance arrangements during the year that are backed by a number of key customers and this use of supply chain finance (or arranged trade debtor invoiced discounting arrangements) is expected to continue through most of the year ended 31 December 2018 to support the funding arrangements of the group and the management of the available bank facilities.

The directors have prepared detailed profit and cash flow forecasts for the period to June 2019. These forecasts assume that the confirmed bank and additional facilities will be renewed to at least the current levels of £4.75m and £2.5m respectively on the renewal dates. These forecasts show that the group can trade within its expected available bank facilities for at least the 12 months following the date of approval of these financial statements. In addition, the forecasts assume that supply chain finance facilities are not required to be used during this period to enable the group to remain within its available bank facilities but the directors note that significant funding could be available using these arrangements to assist with the overall management of bank facilities if required. On these bases the directors are satisfied that the financial statements are prepared on the going concern basis.

### 1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

## 1 Accounting policies *(continued)*

### 1.5 Intangible assets

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life.

### 1.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, freehold property and long-term leasehold property, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

The estimated useful lives range as follows:

| | | |
|---|---|---|
| Plant and machinery | - | 5-10 years |
| Motor vehicles | - | 4 years |
| Fixtures and fittings | - | 3-10 years |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

### 1.7 Investment properties, freehold property and long term leasehold property

Investment property, freehold property and long term leasehold property are carried at fair value as determined by the directors as at 31 December 2017, in consultation with an external valuer. This valuation was derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided for assets held at fair value. Changes in fair value of investment properties are recognised in the profit or loss. Changes in fair value of freehold property and long term leasehold property are recognised in other comprehensive income.

### 1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid. Joint Ventures are held at cost less impairment. Profits distributed to the company are added to the cost of the Joint Venture. Losses are limited to the value of the investment and any further liabilities for contractual or constructive obligations are provided for at the point the company become a party to the arrangement.

## 1 Accounting policies *(continued)*

### 1.9 Stocks

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

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

### 1.10 Debtors

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

### 1.11 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

### 1.12 Financial instruments

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

***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.

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

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.

## 1 Accounting policies *(continued)*

### 1.12 Financial Instruments *(continued)*

***Financial liabilities***

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

### 1.13 Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

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

### 1.14 Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

### 1.15 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## 1 Accounting policies *(continued)*

### 1.16 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.

### 1.17 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 or loss over the shorter of estimated useful economic life and the 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 a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

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 31 December 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 1.18 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

### 1.19 Pensions

***Defined contribution pension plan***

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

***Group pension plan***

Where the risks of a defined benefit plan are shared between entities under common control, the net defined benefit cost is recognised in the financial statements of the Group entity which is legally responsible for the plan and all other Group entities recognise a cost equal to their contribution payable for the period.

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.

## 1 Accounting policies *(continued)*

### 1.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

### 1.21 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

### 1.22 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

### 1.23 Provisions for liabilities

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

Provisions are charged as an expense to the Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

### 1.24 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

## 1 Accounting policies *(continued)*

### 1.24 Current and deferred taxation *(continued)*

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

### 1.25 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

### Goodwill

Amortisation is charged so as to write down goodwill to its residual value over the estimated useful life as set out in the company's accounting policy. Useful lives are regularly reviewed and should management's assessment of the useful life shorten then amortisation charges in the financial statements would increase and the carrying amount of goodwill would reduce accordingly.

### Valuation of freehold and leasehold property

The financial statements include properties held at valuation for which the valuation of these properties is a significant estimate. In order to arrive at a reliable estimate, the directors make use of professional valuation experts. However, significant changes to the assumptions underlying the experts' calculations, or significant changes in market conditions could result in significant changes to the carrying value of property over the next financial year.

### Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty *(continued)*

**Impairment of tangible fixed assets**

The directors consider the need for impairment of asset values against the impairments indicators prescribed in the accounting standards. If there is any evidence of impairment indicators being triggered the directors carry out a detailed impairment assessment. If there is any evidence of impairment of the carrying amount of the assets they are reduced to their higher of their recoverable amount or value in use. The impairment loss is recognised immediately in the statement of comprehensive income.

**Fixed asset investments (company)**

At each reporting date, fixed asset investments are assessed for indicators of impairment. Impairment is measured by reference to the underlying net assets of the subsidiary. If there is any evidence of impairment the carrying amount of the fixed asset is formal reviewed and where applicable is reduced to its recoverable amount. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

**Guarantee provision**

The company provides for guarantee costs which the company is obliged to make on certain sales. The provision is management's best estimate of the claims which are likely to be made within the forthcoming annual guarantee period. The guarantee period is typically one year in duration.

**Stock provisions**

At each reporting date stock is assessed for impairment. If stock is impaired the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

**Trade debtors**

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

**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 31. 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.

## 3 Turnover

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Analysis of turnover by country of destination: | | |
| United Kingdom | **115,178,001** | 100,629,744 |
| Rest of Europe | **3,147,299** | 1,881,927 |
| USA | **7,257,916** | 390,272 |
| Rest of the world | **2,965,541** | 1,591,553 |
| | **128,548,757** | 104,493,496 |

An analysis of turnover by class of business is as follows:

| | 2017 | 2016 |
|---|---|---|
| Sale of goods and integrated services | **79,157,716** | 65,190,909 |
| Provision of services | **49,391,041** | 39,302,587 |
| | **128,548,757** | 104,493,496 |

## 4 Other operating income

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Profit on disposal of tangible assets | **-** | 165,629 |

## 5 Operating profit

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| This has been arrived at after charging: | | |
| Depreciation of tangible fixed assets | **1,702,911** | 2,096,866 |
| Amortisation of intangible assets, including goodwill | **159,402** | 162,396 |
| Hire of plant and machinery - operating leases | **1,124,808** | 75,188 |
| Hire of other assets - operating leases | **221,225** | 380,237 |
| Exceptional costs (note 34) | **(494,569)** | - |
| Release of capital portion of grant | **(20,297)** | (20,297) |
| Defined contribution pension cost | **1,076,210** | 872,479 |
| Exchange (gains) | **386,159** | 42,732 |

## 6 Auditors' remuneration

| | 2017 £ | 2016 £ |
|---|---|---|
| Fees payable to the group's auditor and its associates for the audit of the group's annual accounts | **8,000** | 12,750 |

| | | |
|---|---|---|
| **Fees payable to the group's auditor and its associates in respect of:** | | |
| The auditing of accounts of associates of the group pursuant to legislation | **70,750** | 53,000 |
| Other services relating to taxation | **31,423** | 28,435 |
| All other services | **15,100** | 16,145 |

## 7 Employees

| **Group** | 2017 £ | 2016 £ |
|---|---|---|
| Staff costs consist of: | | |
| Wages and salaries | **35,386,657** | 31,809,717 |
| Social security costs | **3,771,995** | 3,354,201 |
| Costs of defined contribution scheme | **1,076,210** | 872,479 |
| | **40,234,862** | 36,036,397 |

The average number of employees (including directors) during the year was as follows:

| | Number | Number |
|---|---|---|
| Production | **503** | 478 |
| Administration | **431** | 408 |
| Average monthly number of employees | **934** | 886 |

| **Company** | 2017 £ | 2016 £ |
|---|---|---|
| Staff costs consist of: | | |
| Wages and salaries | **23,450** | 23,250 |

The average number of employees (including directors) during the year was as follows:

| | Number | Number |
|---|---|---|
| Administration | **8** | 7 |

## 8 Directors' remuneration

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Directors' emoluments | **240,709** | 248,341 |
| Company contributions to the group personal pension plan | **-** | 71,400 |

The highest paid director received remuneration of £169,082 (2016 - £161,038).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2016 - £71,400).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £Nil (2016 - £Nil).

The total accrued pension provision of the highest paid director at 31 December 2017 amounted to £39,211 (2016 - £38,835).

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2017 amounted to £Nil (2016 - £Nil).

## 9 Interest receivable

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Interest receivable | **8,638** | 24,636 |

## 10 Interest payable and other finance costs

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Bank Loans and overdrafts | **62,460** | 31,158 |
| Financing pensions | **117,000** | 104,000 |
| Hire purchase interest | **20,548** | 12,368 |
| Other | **5,160** | - |
| | **205,168** | 147,526 |

## 11 Taxation on loss from ordinary activities

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| *Corporation tax* | | |
| Current tax on profits for the year | **(21)** | - |
| Adjustment in respect of previous periods: | | |
| - corporation tax | **(6,180)** | (95,132) |
| - group relief | **-** | - |
| *Foreign Tax* | | |
| Current tax on foreign income for the year | **46,667** | - |
| Total current tax | **40,466** | (95,132) |
| *Deferred tax* | | |
| Origination and reversal of timing differences | **(587)** | 102,435 |
| Adjustment in respect of previous periods | **6,373** | (26,722) |
| Other | **-** | 35,986 |
| Total deferred tax | **5,786** | 111,699 |
| Taxation on profit on ordinary activities | **46,252** | 16,567 |

The tax assessed for the year is different to standard rate of corporation tax in the UK of 19.25 % (2016 - 20%). The differences are explained below:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | **(187,306)** | 294,510 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%) | **(36,056)** | 58,902 |
| Effects of: | | |
| Expenses not deductible/chargeable for tax purposes | **93,650** | 24,122 |
| Adjustment in respect of previous periods | **7,243** | (121,854) |
| Effect of changes in tax rate | **(1,219)** | - |
| Other | **(17,366)** | 55,397 |
| Total tax charge for the year | **46,252** | 16,567 |

In addition to the above a deferred tax charge relating to items recognised in other comprehensive income of £41,990 (2016 credit – £420,712) has been recognised.

## 11 Taxation on loss from ordinary activities *(continued)*

**Factors that may affect future tax charges**

The standard rate of UK corporation tax will reduce to 17% effective 1 April 2020. Accordingly these rates have been used in the calculation of deferred tax balances as at 31 December 2017.

## 12 Dividends

| | 2017 £ | 2016 £ |
|---|---|---|
| Ordinary shares | | |
| Interim dividends paid to £3.00 (2016 - £2.00) per share | **144,000** | 96,000 |

## 13 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £30,474 (2016: profit - £88,269).

## 14 Intangible fixed assets

| | Goodwill £ |
|---|---|
| *Cost* | |
| At 1 January 2017 and 31 December 2017 | **2,222,842** |
| *Amortisation* | |
| At 1 January 2017 | 1,904,043 |
| Charge for the year | 159,402 |
| At 31 December 2017 | **2,063,445** |
| *Net book value* | |
| At 31 December 2017 | **159,397** |
| At 31 December 2016 | 318,799 |

Goodwill on consolidation has arisen from previous acquisitions. Goodwill is amortised over 5 years, being the estimated useful life.

## 15 Tangible fixed assets

| Group | Freehold and long term leasehold property | Leasehold improvements | Plant and machinery | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| *Cost or valuation* | | | | | |
| At 1 January 2017 | 9,735,500 | 4,471,293 | 8,864,149 | 9,026,674 | 32,097,616 |
| Additions | - | 151,147 | 320,336 | 1,138,683 | 1,610,166 |
| Disposals | - | - | (22,200) | (4,557,308) | (4,579,508) |
| Revaluation | 1,968,000 | - | - | - | 1,968,000 |
| 31 December 2017 | **11,703,500** | **4,622,440** | **9,162,285** | **5,608,049** | **31,096,274** |
| *Depreciation* | | | | | |
| At 1 January 2017 | - | 4,077,143 | 8,144,905 | 5,222,467 | 17,444,515 |
| Charge for the year | - | 138,525 | 223,034 | 1,341,352 | 1,702,911 |
| Disposals | - | - | (21,237) | (2,463,758) | (2,484,995) |
| 31 December 2017 | **-** | **4,215,668** | **8,346,702** | **4,100,061** | **16,662,431** |
| *Net book value* | | | | | |
| 31 December 2017 | **11,703,500** | **406,772** | **815,583** | **1,507,988** | **14,433,843** |
| 31 December 2016 | 9,735,500 | 394,150 | 719,244 | 3,804,207 | 14,653,101 |

The net book value of Group tangible fixed assets includes an amount of £Nil (2016 - £39,192) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £786 (2016 - £10,937).

The company had no fixed assets throughout the period.

## 16 Fixed asset investments

| Group | Investments in joint ventures £ |
|---|---|
| *Cost* | |
| At 1 January 2017 and 31 December 2017 | **2,594** |

The above investment relates to the group's 50% holding in Franklin Hodge (Asia) PTE Ltd, which operates in the installation of liquid storage tanks. The results of this company to 31 December 2017 are not material to the company or the group and have therefore not been incorporated into the financial statements.

| Company | Investments in subsidiary companies £ |
|---|---|
| At 1 January 2017 | 13,954,028 |
| Revaluations | 1,166,298 |
| At 31 December 2017 | **15,120,326** |

Impairment is measured by reference to the underlying net assets of the subsidiary.

## 16 Fixed asset investments *(continued)*

The following were subsidiary undertakings of the company:

| Name | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|
| Carter Thermal Industries Limited | UK | Ordinary | 59.21% | Holding company |
| Carter Retail Equipment Limited | UK | Ordinary | | Manufacture and installation of retail display and commercial refrigeration equipment |
| Carter Synergy Limited | UK | Ordinary | | Design and installation of refrigeration systems and maintenance of refrigeration and retail equipment |
| Carter Environmental Engineers Limited | UK | Ordinary | | Design and manufacture of environmental engineering equipment |
| K.B. Refrigeration Limited | UK | Ordinary | | Installation, maintenance and service of refrigeration equipment |
| Franklin Hodge Industries Limited | UK | Ordinary | | Manufacture of liquid storage tanks |
| Carter Group International Inc | USA | Ordinary | | Sale and distribution of retail display refrigerated equipment |
| BSc Developments Limited* | UK | Ordinary | | Dormant |
| Carter Building Engineering Services Limited * | UK | Ordinary | | Dormant |
| Carter Engineering Building Services Limited * | UK | Ordinary | | Dormant |
| Environmental Building Maintenance Limited * | UK | Ordinary | | Dormant |
| Franklin Hodge Limited * | UK | Ordinary | | Dormant |
| The Star Electrical Company Limited * | UK | Ordinary | | Dormant |
| Visco Limited * | UK | Ordinary | | Dormant |
| Carter Refrigeration & Retail Services Limited * | UK | Ordinary | | Dormant |

* denotes subsidiaries exempt from audit by virtue of s479A of the Companies Act 2006

## 17 Investment property

| Group | Freehold investment property £ |
|---|---|
| *Valuation* | |
| At 1 January 2017 and 31 December 2017 | **170,000** |

The company had no investment property throughout the period.

## 18 Stocks

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Raw materials and consumables | **4,941,109** | 3,391,095 | - | - |
| Work in progress (goods to be sold) | **7,166,234** | 3,851,637 | - | - |
| Payments on account | **(1,699,661)** | (647,437) | - | - |
| | **10,407,682** | 6,595,295 | - | - |

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

Stock recognised in cost of sales during the year as an expense was £50,876,456 (2016 - £42,100,273).

An impairment loss of £212,244 (2016 - £186,753) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

## 19 Debtors

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Due within one year: | | | | |
| Trade debtors | **30,509,386** | 31,943,855 | - | - |
| Amounts owed by group undertakings | - | - | **34,321** | 35,864 |
| Other debtors | **1,186,731** | 428,147 | - | - |
| Prepayments and accrued income | **408,774** | 336,913 | - | - |
| Group relief receivable | - | - | **6,162** | 4,710 |
| Corporation tax recoverable | **125,806** | 17,500 | **17,500** | 17,500 |
| Deferred taxation (note 25) | **877,242** | 102,352 | - | - |
| | **33,107,939** | 32,828,767 | **57,983** | 58,074 |
| Due after more than one year: | | | | |
| Deferred taxation (note 25) | - | 822,646 | - | - |
| | **33,107,939** | 33,651,413 | **57,983** | 58,074 |

The impairment loss recognised for the period in respect of bad and doubtful debts was £189,430 (2016 - £77,268).

Trade debtors are reduced by £6,389,856 (2016 - £1,380,112) relating to amounts settled under supply chain finance agreements without recourse.

Included within other debtors is £Nil (2016 - £114,811) owed by the pension scheme as disclosed in note 33.

## 20 Cash and cash equivalents

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Cash at bank and in hand | **3,224,580** | 1,287,792 | **314,180** | 486,816 |

## 21 Creditors: amounts falling due within one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Payments in advance | **2,335,541** | 2,079,914 | - | - |
| Trade creditors | **19,981,189** | 16,382,637 | - | - |
| Corporation tax/group relief | - | 18,725 | - | - |
| Taxation and social security | **1,921,811** | 2,199,770 | - | - |
| Obligations under finance lease and hire purchase contracts | **445,170** | 311,633 | - | - |
| Other creditors | **1,316,532** | 266,871 | - | - |
| Accruals and deferred income | **3,415,686** | 3,319,212 | **46,472** | 44,722 |
| CMA fine payable | **345,007** | 690,014 | - | - |
| | **29,760,936** | 25,268,776 | **46,472** | 44,722 |

On 20 June 2018 the Group agreed a variation to the payment profile with Competitions and Market Authority (CMA) to settle the remaining fine in 4 equal 6 monthly instalments commencing in July 2018 with the last instalment being due in January 2020.

## 22 Creditors: amounts falling due after more than one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Net obligations under finance leases and hire purchase contracts | **376,787** | 367,017 | - | - |
| Accruals and deferred income | **710,386** | 730,683 | - | - |
| CMA fine (note 21) | **980,114** | 1,325,121 | - | - |
| | **2,067,287** | 2,422,821 | - | - |

## 23 Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| Group | Finance leases 2017 £ | Finance leases 2016 £ |
|---|---|---|
| In one year or less, or on demand | **445,170** | 311,633 |
| In more than one year but not more than five years | **376,787** | 367,017 |

The company did not hold any finance leases during the year

## 24 Financial instruments

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Financial assets that are debt instruments measured at amortised cost | **34,920,697** | 32,372,002 | **314,180** | 42,112 |
| Financial liabilities measured at amortised cost | **27,570,871** | 23,640,073 | **46,472** | 50,366 |

Financial assets measured at amortised cost comprise cash and debtors (excluding prepayments and tax).

Financial liabilities measured at amortised cost comprise creditors (excluding accruals and tax).

## 25 Deferred taxation

**Group**

| | £ |
|---|---|
| At 1 January 2017 | 924,998 |
| Charged to statement of comprehensive income in the year | (47,756) |
| At 31 December 2017 | **877,242** |

The provision for deferred taxation is made up as follows:

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Accelerated capital allowances | **44,024** | 25,999 | - | - |
| Short term timing differences | **74,977** | 76,353 | - | - |
| Tax losses | **125,111** | - | - | |
| Deferred tax asset on pension | **633,130** | 822,646 | - | - |
| | **877,242** | 924,998 | - | - |

## 26 Provisions

**Group**

| | Guarantee provision £ |
|---|---|
| At 1 January 2017 | 79,200 |
| Charged to profit and loss | 12,656 |
| Utilised in the year | (2,893) |
| At 31 December 2017 | **88,963** |

## 27 Share capital

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 48,000 ordinary shares of £1 each | **48,000** | 48,000 |

## 28 Reserves

### Share capital

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

### Revaluation reserve

The cumulative revaluation gains and losses in respect of tangible fixed assets.

### Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

### 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.

## 29 Contingent liabilities

The company has given an unlimited guarantee in respect of the group banking facility which amounted to £7,362,359 at 31 December 2017 (2016 - £6,208,987).

## 30 Capital commitments

As at 31 December 2017, the group and company had capital commitments as set out below:

| | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|---|---|---|---|---|
| Capital commitments | **20,200** | 24,000 | **-** | - |

## 31 Pension commitments

The group operates several pension schemes:

| | | |
|---|---|---|
| Carter Thermal Industries Limited Pension Scheme | - | Defined benefit (pensions ceased to accrue with effect from 31 July 2008) |
| Carter Executive Plan | - | Defined benefit (pensions ceased to accrue with effect from 30 June 2007) |
| Carter Money Purchase Plan | - | Defined contribution |
| K.B. Refrigeration and Retirement Benefits Plan | - | Defined contribution & Defined benefit (Defined benefit pensions ceased to accrue with effect from 1 April 1998) |

The assets of the schemes are held in separate Trustee administered funds.

There were no changes to the schemes during the year.

### Actuarial information

| | **CTI scheme** | **Carter Executive Plan** | **K B Refrigeration pre 1 April 1998** defined benefits |
|---|---|---|---|
| Valuation method | Defined accrued benefits method | Defined accrued benefits method | Defined accrued benefits method |
| Date of last actuarial valuation | 31 December 2015 | 31 December 2014 | 30 April 2014 |
| Period of valuation | Triennial | Triennial | Triennial |

The last full actuarial valuation of the scheme was carried out by a qualified independent actuary on the dates shown and they have been updated on an approximate basis to 31 December 2017.

Contributions include those to both the defined benefit and defined contribution schemes as follows:

| | **2017** £ | **2016** £ |
|---|---|---|
| Defined benefit | **984,800** | 1,068,108 |
| Defined contribution | **1,076,210** | 872,479 |
| | **2,061,010** | 1,940,587 |

**31 Pension commitments** *(continued)*

*Reconciliation of present value of plan liabilities*

| | CTI scheme £ | Carter Executive plan £ | K B Refrigeration pre 1 April 1988 defined benefits £ | Total £ |
|---|---|---|---|---|
| At the beginning of the year | (8,192,000) | (15,338,000) | (2,445,000) | (25,975,000) |
| Interest cost | (206,000) | (391,000) | (68,000) | (665,000) |
| Actuarial gains/(losses) | (358,000) | (239,000) | (43,000) | (640,000) |
| Benefits paid | 570,000 | 616,000 | 67,000 | 1,253,000 |
| At the end of the year | **(8,186,000)** | **(15,352,000)** | **(2,489,000)** | **(26,027,000)** |

*Composition of plan liabilities*

| **2017** | CTI scheme £ | Carter Executive plan £ | K B Refrigeration pre 1 April 1988 defined benefits £ | Total £ |
|---|---|---|---|---|
| Schemes wholly or partly funded | **(8,186,000)** | **(15,352,000)** | **(2,489,000)** | **(26,027,000)** |
| **2016** | | | | |
| Schemes wholly or partly funded | (8,192,000) | (15,338,000) | (2,445,000) | (25,975,000) |

## 31 Pension commitments *(continued)*

*Reconciliation of fair value of plan assets*

| | CTI scheme £ | Carter Executive plan £ | K B Refrigeration pre 1 April 1988 defined benefits £ | Total £ |
|---|---|---|---|---|
| At the beginning of the year | 5,103,380 | 13,887,795 | 2,144,733 | 21,135,908 |
| Expected rate of return on plan assets | 152,000 | 721,000 | 14,000 | 887,000 |
| Actuarial gains | 132,000 | 358,000 | 58,000 | 548,000 |
| Interest income | 494,400 | 410,400 | 80,000 | 984,800 |
| Contribution by group | (570,000) | (616,000) | (67,000) | (1,253,000) |
| Benefits paid | | | | |
| At the end of the year | **5,311,780** | **14,761,195** | **2,229,733** | **22,302,708** |

*Reconciliation to balance sheet*

| **2017** | CTI scheme £ | Carter Executive plan £ | K B Refrigeration pre 1 April 1988 defined benefits £ | Total £ |
|---|---|---|---|---|
| Present value of funded obligations | **(8,186,000)** | **(15,352,000)** | **(2,489,000)** | **(26,027,000)** |
| Fair value of plan assets | **5,311,780** | **14,761,195** | **2,229,733** | **22,302,708** |
| Net liability | **(2,874,220)** | **(590,805)** | **(259,267)** | **(3,724,292)** |
| **2016** | | | | |
| Present value of funded obligations | (8,192,000) | (15,338,000) | (2,445,000) | (25,975,000) |
| Fair value of plan assets | 5,103,380 | 13,887,795 | 2,144,733 | 21,135,908 |
| Net liability | (3,088,620) | (1,450,205) | (300,267) | (4,839,092) |

## 31 Pension commitments *(continued)*

*The amounts recognised in profit and loss are as follows:*

| **2017** | **CTI scheme** | **Carter Executive plan** | **K B Refrigeration pre 1 April 1988 defined benefits** | **Total** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| *Included in other finance income* | | | | |
| Interest cost | **206,000** | **391,000** | **68,000** | **665,000** |
| Expected return of plan assets | **(132,000)** | **(358,000)** | **(58,000)** | **(548,000)** |
| | **74,000** | **33,000** | **10,000** | **117,000** |
| **2016** | | | | |
| *Included in other finance income* | | | | |
| Interest cost | 231,000 | 456,000 | 84,000 | 771,000 |
| Expected return of plan assets | (160,000) | (427,000) | (80,000) | (667,000) |
| | 71,000 | 29,000 | 4,000 | 104,000 |

*Analysis of actuarial loss recognised in other comprehensive income:*

| **2017** | **CTI scheme** | **Carter Executive plan** | **K B Refrigeration pre 1 April 1988 defined benefits** | **Total** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Actuarial return less expected return on pension plan assets | **(152,000)** | **(721,000)** | **(14,000)** | **(887,000)** |
| Experience gains and losses arising on the scheme liabilities | **358,000** | **239,000** | **43,000** | **640,000** |
| Actuarial gain recognised in other comprehensive income | **206,000** | **(482,000)** | **29,000** | **(247,000)** |
| **2016** | | | | |
| Actuarial return less expected return on pension plan assets | (730,000) | (1,802,000) | (55,000) | (2,587,000) |
| Experience gains and losses arising on the scheme liabilities | 2,034,000 | 2,660,000 | 438,000 | 5,132,000 |
| Actuarial loss recognised in other comprehensive income | 1,304,000 | 858,000 | 383,000 | 2,545,000 |

## 31 Pension commitments *(continued)*

*Composition of plan assets:*

| 2017 | CTI scheme | Carter Executive plan | K B Refrigeration pre 1 April 1988 defined benefits | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Equities | **2,971,000** | **7,529,000** | **-** | **10,500,000** |
| Bonds | **1,471,000** | **1,519,000** | **-** | **2,990,000** |
| Secure Growth | **-** | **-** | **858,000** | **858,000** |
| GARS | **-** | **-** | **1,371,733** | **1,371,733** |
| LDI | **746,000** | **5,647,000** | **-** | **6,393,000** |
| Other | **123,780** | **66,195** | **-** | **189,975** |
| Total plan assets | **5,311,780** | **14,761,195** | **2,229,733** | **22,302,708** |
| **2016** | | | | |
| Equities | 2,629,000 | 6,700,000 | - | 9,329,000 |
| Bonds | 2,140,000 | 1,468,000 | - | 3,608,000 |
| Secure Growth | - | - | 807,000 | 807,000 |
| GARS | - | - | 1,337,733 | 1,337,733 |
| LDI | - | 5,580,000 | - | 5,580,000 |
| Other | 334,380 | 139,795 | - | 474,175 |
| Total plan assets | 5,103,380 | 13,887,795 | 2,144,733 | 21,135,908 |

| ***Actual return on plan assets*** | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| CTI scheme | **284,000** | 890,000 |
| Carter executive plan | **1,079,000** | 2,229,000 |
| K B Refrigeration pre 1 April 1988 defined benefits | **72,000** | 135,000 |
| Total actual return on plan assets | **1,435,000** | 3,254,000 |

## 31 Pension commitments *(continued)*

*Principal actuarial assumptions used at the balance sheet date*

| **Group** | **CT1 scheme 2017 %** | **CTI scheme 2016 %** | **Carter Executive plan 2017 %** | **Care Executive plan 2016 %** | **K B Refrigeration pre 1 April 1988 defined 2017 %** | **K B Refrigeration pre 1 April 1988 defined 2016 %** |
|---|---|---|---|---|---|---|
| Discount rates | 2.4 | 2.6 | 2.4 | 2.6 | 2.5 | 2.7 |
| Expected rates of return on plan assets: | | | | | | |
| Equities | 2.4 | 2.6 | 2.4 | 2.6 | - | - |
| Bonds | 2.4 | 2.6 | 2.4 | 2.6 | 3.2 | 3.4 |
| Secure growth | - | - | - | - | 3.2 | 3.4 |
| Cash | 2.4 | 2.6 | 2.4 | 2.6 | 2.2 | 2.4 |
| Revaluation of deferred pensions | 2.35 | 2.45 | 2.35 | 2.45 | 2.2 | 2.4 |
| Inflation assumption | 2.35 | 2.45 | 2.35 | 2.45 | 2.2 | 2.4 |
| **Mortality rates** | | | | | | |
| Aged at 65 at year end: | | | | | | |
| Males | 22.0 | 21.9 | 22.8 | 21.9 | 22.1 | 22.2 |
| Females | 24.0 | 23.9 | 24.8 | 23.9 | 23.9 | 24.2 |
| Aged at 45 at year end: | | | | | | |
| Males | 23.3 | 23.2 | 24.2 | 23.2 | 23.5 | 23.9 |
| Females | 25.5 | 25.4 | 26.4 | 25.4 | 25.4 | 26.1 |

## 31 Pension commitments *(continued)*

### Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates.

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

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the long term rate of return on assets assumption for the portfolio.

Bonds: The long term expected returns on government and corporate bonds are derived as the quoted yield on fixed interest government bonds and AA corporate bonds, respectively, at the balance sheet date.

Equities: The long-term expected rate of return on equities is derived as fixed interest government bond yields as the balance sheet date with a 3% p.a. allowance for out-performance net of expenses.

Cash: The long term expected rate of return on cash is derived as fixed interest government bond yields without adjustment.

The group operates a defined contribution pension serene. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £1,076,210 (2016 - £872,479). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The best estimate of contributions to be paid by the group to the CTI Scheme, Carter Executive Plan and KB Refrigeration schemes for the period beginning after 31 December 2017 are £507,000, £421,068 and £80,000 respectively.

## 32 Commitments under operating leases

The group had total commitments under non-cancellable operating leases as set out below:

| | Land and buildings 2017 £ | Other 2017 £ | Land and buildings 2016 £ | Other 2016 £ |
|---|---|---|---|---|
| Operating leases which expire: | | | | |
| Within one year | **254,022** | **1,358,674** | 221,774 | 49,050 |
| In two to five years | **239,442** | **1,355,151** | 130,568 | 26,324 |
| After five years | **-** | **-** | - | 20,258 |
| | **493,464** | **2,713,825** | 352,342 | 95,632 |

The company had no operating lease commitments (2016 - £Nil).

## 33 Related party disclosures

Longdon Estates Limited owns 59.21% of Carter Thermal Industries Limited and there were no transactions between these companies.

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 Carter Thermal Industries Limited and its wholly owned subsidiaries.

*Transactions with directors*

Two directors of the company hold shares in Longdon Estates Limited. D W Arkley and J C Scott are trustees of the Mrs C S Carter Discretionary Trust, the C S Carter Interest in Possession Trust for S G McKibbin and the Mrs AP Scott Discretionary Trust. J Chamberlain is also a trustee of the Mrs AP Scott Discretionary Trust. Dividends paid to these shareholders during the year were as follows:

| | 2017 £ | 2016 £ |
|---|---|---|
| **Related party** | | |
| Mrs J A Chamberlain | **15,375** | 10,250 |
| Mrs M C Rennison | **15,375** | 10,250 |
| Mrs S G McKibbin | **15,375** | 4,250 |
| Mrs C S Carter Discretionary Trust | **40,479** | 26,986 |
| C S Carter Interest in Possession Trust for S G McKibbin | **-** | 6,000 |
| Mrs AP Scott Discretionary Trust | **37,500** | 25,000 |

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £505,311 (2016 - £616,749).

The pension schemes are related parties of the company and during the year £100,466 (2016 - £114,811) was paid by the group on behalf of the schemes in respect of administration costs.

## 33 Related party disclosures (continued)

The pension schemes made repayments to the group during the year of £Nil (2016 - £ Nil). At 31 December 2017 the outstanding balance due from the schemes to the company was £Nil (2016 - £114,811).

A 50% owned Joint Venture of the group, Franklin Hodge (Asia) PTE Ltd, held outstanding balances with group companies at 31 December 2017 of £21,623 (2016 - £21,623) and this is included within amounts owed by group undertakings per note 18. There were no transactions during the year.

## 34 Exceptional items

As part of the cash management of the Group, during the year the Directors took the decision to dispose of vehicles used in the fleet and lease these back under an operating lease arrangement. As a result of the transaction a profit on disposal of £494,569 has been credited to the income statement in the period. The directors do not expect this to recur in future periods.

## 35 Ultimate controlling party

There is no individual controlling party of the company or the group.