MALLATITE LIMITED

Registered number 02621328

Annual Report and Financial Statements
For the year ended 31 December 2016

Contents

Strategic Report

Principal activity
The principal activity of the Company is the design, fabrication and supply of lighting support systems and the provision of bespoke solutions within the lighting and electrical markets.

Business review and future developments
Overview – On 3 August 2016, the Company acquired the entire issued share capital of Signature Limited, a UK based company specialising in the manufacture and supply of traffic signs, sign lighting equipment and highway engineering products, for consideration of £11,742,000.

On 31 October 2016, the trade and assets of Signature Limited were hived up into the Company.

Turnover for the year was £15,252,000 *(2015: £13,022,000)*. The increase in turnover reflects general market conditions alongside the turnover from the Signature business, which was acquired and subsequently hived up into the Company on 31 October 2016. Operating profit before reorganisation and acquisition costs of £1,126,000 was £1,418,000 *(2015: £1,262,000)*. As well as the increase in turnover, profitability also benefitted from lower commodity prices and more efficient use of the Company's assets.

Reorganisation and acquisition costs of £1,126,000 included £364,000 in relation to the acquisition of Signature Limited and £762,000 as a result of a reorganisation of the Company's operations to integrate the newly acquired Signature business. No such costs were incurred in the prior year.

Strategy – The business is well established within specific sectors in the industry and with the acquisition of Signature Limited, the Company is well placed to offer a diversified product portfolio and to develop new sectors within the core skill set. The Company will also continue to appraise any potential consolidation opportunities and segmentation that may exist in its UK markets or within Europe.

Health and Safety - The Company is committed to a continuous improvement in its health and safety performance. Its activities comply with health and safety standards and legislation, with monthly meetings held and recorded. The Directors are committed to ensuring the best working conditions and welfare of the Company's employees. Further details of the Group's health and safety activities can be found in the Hill & Smith Holdings PLC Annual Report.

Corporate Social Responsibility - The Company recognises the importance of balancing the interests of key stakeholders - employees, customers, shareholders, suppliers and the wider community in which it operates. The Company remains committed to a continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation. Further details of Corporate Social Responsibility activities can be found in the Hill & Smith Holdings PLC Annual Report.

Outlook – The Company is set to build on its relationship with principal partners whilst developing new revenue streams with the acquisition and integration of Signature. Factory efficiency, good housekeeping, lean manufacturing and purchasing initiatives are all the focus of continuous improvement, together with the robust development of employee participation, skill set and mind set. Capital investment has been identified and a Management structure put in place to drive the business forward. The outlook for 2017 and beyond is encouraging.

Principal risks and uncertainties
The Board continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk. The Board has identified the risks affecting its business but none that present a significant threat to its business. The Board regularly reviews its risk profile throughout the year in order to monitor any developing risks and to create and implement appropriate mitigation activities. A full policies and procedures manual, which is available across the workforce, helps to ensure that the Company is kept up to date with legislation and current best practice.

Strategic Report (Continued)

Key performance indicators
The Group's key performance indicators are commented on in detail in the Hill & Smith Holdings PLC annual report. Those that specifically relate to the Company are as follows:

Financial – The Company considers revenue growth, operating margin, return on capital employed and net cash flow from operating activities to be its principal financial key performance indicators.

Non-financial – Health and safety, energy efficiency, emissions, use of recycled products and waste management are all principal areas of focus for the Company.

By order of the Board

CAHenderson

C A Henderson
Secretary

15 June 2017

Westhaven House
Arleston Way
Shirley, Solihull
West Midlands
B90 4LH

Directors' Report

The Directors present their Report and audited Financial Statements for the year ended 31 December 2016.

Research and development
The Company invests in research and development. During the period it invested a total of £14,000 (*2015: £nil*).

Dividends
A dividend payment of £1,000,000 has been made in the year ended 31 December 2016 *(2015: £1,500,000).* There are no proposed dividends.

Directors
The Directors serving during the year and in the period up to the date of this report were as follows:

N Clarke
D W Muir
A Paterson
M Pegler

Political contributions
The Company made no political donations or incurred any political expenditure during the year.

Employees
Details of the number of employees and related costs can be found in note 6 to the Financial Statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in Hill & Smith Holdings PLC's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

CAHenderson

C A Henderson
Secretary

15 June 2017

Westhaven House
Arleston Way
Shirley
Solihull
West Midlands
B90 4LH

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Mallatite Limited

We have audited the Financial Statements of Mallatite Limited for the year ended 31 December 2016 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the Financial Statements. Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- *in our opinion, those reports have been prepared in accordance with the Companies Act 2006.*

Matters on which we are required to report by exception

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

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

Andrew Cawthray

16 June 2017

Andrew Cawthray (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Profit and Loss Account

for the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £000**	Year ended 31 December 2015 £000
Turnover	*2*	**15,252**	13,022
Cost of sales		**(11,218)**	(9,567)
Gross profit		**4,034**	3,455
Distribution costs		**(619)**	(392)
Administrative expenses		**(1,997)**	(1,801)
Operating profit before reorganisation and acquisition costs		**1,418**	1,262
Reorganisation and acquisition costs	*3*	**(1,126)**	-
Operating profit		**292**	1,262
Income from shares in subsidiary undertakings		**-**	-
Profit before interest and taxation		**292**	1,262
Interest receivable	*7*	**53**	129
Profit before taxation	*4*	**345**	1,391
Taxation on profit	*8*	**(160)**	(277)
Profit for the financial year		**185**	1,114

Other comprehensive income

Items that will not be classified to profit or loss:			
Remeasurement of the net defined benefit pension liability		**-**	-
Taxation on other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**185**	1,114

All operations are continuing.

The notes on pages 9 to 24 form part of the Financial Statements.

Balance Sheet
as at 31 December 2016

	Note	**2016**		2015	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**7,483**		-
Tangible assets	*10*		**3,855**		429
Investments	*11*		**8,027**		-
			19,365		429
Current assets					
Stocks	*12*	**2,350**		870	
Debtors	*13*	**3,481**		6,643	
Cash at bank and in hand		**3,330**		1,538	
		9,161		9,051	
Creditors: Amounts falling due within one year	*14*	**(24,204)**		(4,357)	
Net current (liabilities) / assets			**(15,043)**		4,694
Total assets less current liabilities			**4,322**		5,123
Net assets			**4,322**		5,123
Capital and reserves					
Called up share capital	*17*		**3,267**		3,267
Share premium account			**35**		35
Capital redemption reserve			**134**		134
Profit and loss account			**886**		1,687
Shareholder's funds			**4,322**		5,123

The notes on pages 9 to 24 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on their behalf by:

A Paterson
Director

N Clarke
Director

Date: 15 *June 2017*

Company No. 02621328

Statement of Changes in Equity
for the year ended 31 December 2016

	Called up share capital £000	Share premium account £000	Capital redemption account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	3,267	35	134	2,082	5,518
Comprehensive income					
Profit for the year	-	-	-	1,114	1,114
Other comprehensive income for the year	-	-	-	-	-
Tax taken directly to the Statement of Changes in Equity	-	-	-	(9)	(9)
Transactions with owners recognised directly in equity					
Dividends	-	-	-	(1,500)	(1,500)
Issue of shares	-	-	-	-	-
At 31 December 2015	**3,267**	**35**	**134**	**1,687**	**5,123**
Comprehensive income					
Profit for the year	-	-	-	185	185
Other comprehensive income for the year	-	-	-	-	-
Tax taken directly to the Statement of Changes in Equity	-	-	-	14	14
Transactions with owners recognised directly in equity					
Dividends	-	-	-	(1,000)	(1,000)
Issue of shares	-	-	-	-	-
At 31 December 2016	**3,267**	**35**	**134**	**886**	**4,322**

Notes

(forming part of the Financial Statements)

1 Accounting policies

The following accounting policies have been applied consistently in the current and prior period in dealing with items which are considered material in relation to the Company's Financial Statements, except as noted below.

Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Hill & Smith Holdings PLC includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Hill & Smith Holdings PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Group Headquarters (see note 23).

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the Consolidated Financial Statements of Hill & Smith Holdings PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention
The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £15,043,000 at the year end. The Company participates in the Group's centralised treasury and banking arrangements, along with its parent and certain fellow subsidiaries, as shown in note 18. However, the Directors have no reason to believe that a material uncertainty exists for the Company since the Directors of the Company's parent, Hill & Smith Holdings PLC, have formally indicated it will provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Consolidation
In accordance with Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company incorporated in England, which has prepared Consolidated Financial Statements to include the results of the Company.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost less amounts written off for impairment. Investments are reviewed for impairment where events or circumstances indicate that their carrying value may not be recoverable.

Foreign currencies
Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Turnover
Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the Financial Statements of this departure.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Profit and Loss Account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the Profit and Loss Account (even if those gains would normally be recognised directly in reserves).

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Pension scheme arrangements

Defined contribution scheme

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account as incurred.

Leases

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Profit and Loss Account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible Fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant, equipment and vehicles	-	4 to 20 years
Buildings	-	50 years
Leasehold assets	-	the life of the lease

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

Stocks and work in progress
Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the Profit and Loss Account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Share based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, while those vested from 1 January 2005 onwards are expensed with a corresponding increase in equity.

Share-based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis. Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity settled.

Dividends

Dividends are recognised in the Financial Statements in the period in which they are approved by the Company's shareholders.

Notes *(continued)*

2 Turnover

All turnover of the Company is derived in the United Kingdom.

In the opinion of the Directors, there is only one class of business.

3 Reorganisation and acquisition costs

Reorganisation and acquisition costs of £1,126,000 included £364,000 in relation to the acquisition of Signature Limited and £762,000 as a result of a reorganisation of the Company's operations to integrate the newly acquired Signature business. No such costs were incurred in the prior year.

4 Profit before taxation

	2016	2015
	£000	£000
Profit before taxation is stated		
after charging:		
Depreciation:		
Owned assets	**281**	284
Operating leases:		
Plant and equipment	**65**	58
Other assets	**62**	29
Auditor's remuneration	**20**	17
Research and development expenditure	**14**	-

Fees paid to KPMG LLP and its associates for non-audit services to the Company itself are not disclosed because Hill & Smith Holdings PLC Group accounts are required to disclose such fees on a consolidated basis.

5 Remuneration of Directors

Aggregate Directors' remuneration for the year was as follows:

	2016	2015
	£000	£000
Emoluments	**340**	324
Company contributions to money purchase pension schemes	**26**	22
	366	346

	Number	Number
Directors exercising share options	**2**	2
Directors who are members of defined benefit pension schemes	-	-

The remuneration of the highest paid Director excluding pension contributions was £215,000 *(2015: £205,000)*. His accrued pension entitlement per annum at the year end was £nil *(2015: £nil)*.

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Company (including Directors) all of whom were involved in the principal activity was:

	2016 Number	2015 Number
Production	**131**	45
Administration	**22**	15
Sales and distribution	**30**	9
	183	69

The aggregate payroll costs of these persons were:	£000	£000
Wages and salaries	**2,126**	1,700
Share-based payment (see note 21)	**10**	4
Social security costs	**190**	169
Other pension costs (see note 15)	**72**	60
	2,398	1,933

7 Interest receivable

	2016 £000	2015 £000
Bank interest receivable	**30**	83
On loans to group undertakings	**23**	46
	53	129

Notes *(continued)*

8 Taxation on profit

Analysis of charge in year

	2016	2015
	£000	£000
UK corporation tax		
Current tax for the year	**209**	300
Relating to the prior year	**(3)**	-
Current tax charge	**206**	300
Deferred tax (see note 16)		
Current year credit	**(52)**	(26)
Relating to the prior year	**3**	-
Effect of change in tax rate	**3**	3
Deferred tax credit	**(46)**	(23)
Total tax charge	**160**	277

Factors affecting tax charge for the year
The effective current tax rate for the year is higher *(2015: lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2016	2015
	£000	£000
Total tax reconciliation		
Profit before taxation	**345**	1,391
Profit multiplied by the effective rate of corporation tax in the UK of 20% *(2015: 20.25%)*	**69**	282
Effects of:		
Expenses not deductible for tax purposes	**79**	(11)
Difference between current and deferred tax rates	**9**	3
Effect of change in deferred tax rate	**3**	3
Relating to the prior year	**-**	-
Total tax charge	**160**	277

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. In the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned.

The rate reduction to 17% was enacted during the period and therefore the deferred tax balance has been calculated at 17% *(2015: 18%)* on the basis that this balance will materially reverse after 1 April 2020.

Notes *(continued)*

9 Intangible assets

	Goodwill £000
Cost	
At 1 January 2016	-
Acquired on hive-up of trade and assets (note 25)	3,768
Reclassification from investments (note 11)	3,715
At 31 December 2016	**7,483**
Provision	
At 1 January 2016 and at 31 December 2016	-
Net book value	
At 31 December 2016	**7,483**
At 31 December 2015	-

On 31 October 2016, the trade and assets of Signature Limited, a wholly owned subsidiary of the Company, were hived up into the Company. As a result of the hive-up, the carrying value of the investment has been reviewed for recoverability against the net assets of Signature Limited. Consequently, the residual has been reclassified to goodwill.

The Directors have reviewed the carrying value of goodwill for impairment. No impairment was identified.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 2016	50	2,343	2,393
Acquired on hive-up of trade and assets (note 25)	4,327	2,013	6,340
Additions	-	226	226
Disposals	-	(7)	(7)
At 31 December 2016	**4,377**	**4,575**	**8,952**
Depreciation			
At 1 January 2016	36	1,928	1,964
Acquired on hive-up of trade and assets (note 25)	1,215	1,644	2,859
Charge for the year	18	263	281
Disposals	-	(7)	(7)
At 31 December 2016	**1,269**	**3,828**	**5,097**
Net book value			
At 31 December 2016	**3,108**	**747**	**3,855**
At 31 December 2015	14	415	429

The gross book value of land and buildings includes freehold land of £950,000 *(2015: £nil).*

Included within plant, equipment and vehicles are assets held for hire with an accumulated cost of £nil *(2015: £nil)* and accumulated depreciation of £nil *(2015: £nil).*

Included in the total net book value of plant, equipment and vehicles is £nil *(2015: £nil)* in respect of assets held under finance leases and similar hire purchase contracts.

Notes *(continued)*

11 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2016	-
Acquisition of subsidiary	11,742
Reclassification to goodwill (note 9)	(3,715)
At 31 December 2016	**8,027**
Provisions	
At 1 January 2016 and at 31 December 2016	-
Net realisable value	
At 31 December 2016	**8,027**
At 31 December 2015	-

On 3 August 2016, the Company acquired the entire issued share capital of Signature Limited, a UK based company specialising in the manufacture and supply of traffic signs, sign lighting equipment and highway engineering products, for consideration of £11,742,000.

On 31 October 2016, the trade and assets of Signature Limited, a wholly owned subsidiary of the Company, were hived up into the Company. As a result of the hive-up, the carrying value of the investment has been reviewed for recoverability against the net assets of Signature Limited. As a result the residual has been reclassified to goodwill.

Signature Limited has a year-end date of 31 December. The results of Signature Limited are included in the consolidated results of Hill & Smith Holdings PLC, the Company's ultimate parent undertaking. The registered office address of Signature Limited is the same as the ultimate parent detailed in note 23.

12 Stocks

	2016 £000	2015 £000
Raw material and consumables	**1,322**	378
Work in progress	**134**	91
Finished goods	**894**	401
	2,350	870

The amount of stocks expensed to the profit and loss account in the year was £10,109,000 *(2015: £8,542,000)*.

The value of stocks written down and expensed in the profit and loss account amounted to £nil *(2015: £10,000)*.

Notes *(continued)*

13 Debtors

	2016	2015
	£000	£000
Trade debtors	**3,021**	1,860
Amounts owed by group undertakings	**22**	4,619
Deferred tax (note 16)	**201**	61
Prepayments and accrued income	**237**	103
	3,481	6,643

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

14 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	**4,086**	2,495
Amounts owed to group undertakings	**16,130**	165
Other creditors	**416**	-
Corporation tax	**391**	299
Other tax and social security	**665**	362
Accruals and deferred income	**2,516**	1,036
	24,204	4,357

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

15 Pension liabilities

The Company operates a defined benefit contribution pension plan for its employees. The pension cost for the year represents contributions payable by the company to the fund and amounted to £72,000 *(2015: £60,000).*

Notes *(continued)*

16 Deferred tax

	Deferred Tax £000
At 1 January 2016	(61)
Acquired on hive-up of Signature Limited (note 25)	(80)
Profit and loss account	(46)
Statement of changes in equity	(14)
At 31 December 2016	**(201)**

Details of amounts provided for deferred taxation follow:

	2016 £000	2015 £000
Capital allowances in excess of depreciation	**(129)**	(40)
Short term timing differences	**(72)**	(21)
Deferred tax (asset)	**(201)**	(61)

17 Called up share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
3,159,378 *(2015: 3,159,378)* ordinary shares of £1 each	**3,159**	3,159
34,078 *(2015: 34,078)* "A" ordinary shares of £1 each	**34**	34
74,044 *(2015: 74,044)* "B" ordinary shares of £1 each	**74**	74
	3,267	3,267

18 Contingent liabilities

The Company is a party to cross guarantees given for bank loans and overdrafts of the ultimate parent company and certain fellow subsidiaries amounting to £158,079,000 *(2015: £119,286,000).*

The Company has no other guarantees *(2015: £nil).*

Notes *(continued)*

19 Commitments

Non-cancellable operating lease rentals payable as follows:

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	*£000*	**£000**	£000
Within one year	**60**	-	**88**	11
Within two to five years	**-**	-	**259**	148
After more than five years	**-**	-	**60**	128
	60	-	**407**	287

The Company pays an annual rental charge of £308,000 to Hawkshead Properties Limited *(2015: £308,000)*. This is charged on an arm's length basis and is cancellable at any time.

The Company had capital expenditure contracted but not provided in the Financial Statements at the year end of £nil *(2015: £nil)*.

At the year end, the Company had no forward currency commitments.

20 Dividends

	2016	2015
	£000	£000
Aggregate amount of dividends paid in the financial year	1,000	1,500

Notes *(continued)*

21 Share-based payments

Employees of the Company have been granted various options in the ultimate parent company, which have given rise to charges related to the implied share-based payments, the details of which can be found in the Financial Statements of Hill & Smith Holdings PLC.

The total expense recognised for the period arising from share based payments is as follows:

	2016	2015
	£000	£000
Expensed during the year	**10**	4

22 Related party transactions

As an ultimately wholly owned subsidiary of Hill & Smith Holdings PLC, the Company has taken advantage of the exemption available under FRS 101 not to disclose transactions that have been made between the Company and other fellow subsidiaries of Hill & Smith Holdings PLC.

23 Ultimate parent company

The immediate and ultimate parent of the Company is Hill & Smith Holdings PLC, a company registered in England. Copies of the Group Financial Statements may be obtained from Group headquarters:

Westhaven House
Arleston Way
Shirley
Solihull
B90 4LH

24 Post Balance Sheet events

There were no significant post Balance Sheet events.

Notes *(continued)*

25 Hive up of trade and assets

On 31 October 2016, the Company acquired the trade and assets of Signature Limited, a wholly owned subsidiary of the Company for consideration of £8,027,000 left outstanding on account with Signature Limited. Details of the assets and liabilities acquired are shown below:

	£000
Goodwill	3,768
Tangible fixed assets	3,481
Stock	1,308
Trade and other debtors	2,439
Deferred tax asset	80
Cash	772
Trade and other creditors	(3,638)
Corporation tax creditor	(183)
Net assets acquired	**8,027**