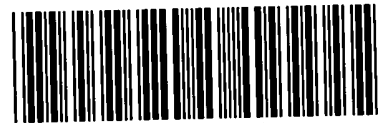


Registered number: 00084170

EPC UNITED KINGDOM PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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EPC UNITED KINGDOM PLC

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EPC UNITED KINGDOM PLC

COMPANY INFORMATION

Directors	P.G.F.B de Brancion B.C. Williams O.L. Obst D.K.J. Howard (resigned 31 December 2017) R.R. Keen J. French
Company secretary	D. Bloor
Registered number	00084170
Registered office	Venture Crescent Nix's Hill Industrial Estate Alfreton Derbyshire DE55 7RA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

EPC UNITED KINGDOM PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors are pleased to present the Strategic Report on EPC United Kingdom PLC for the year ended 31 December 2017.

Business review

"Safety is our number 1 priority"

The EPC United Kingdom PLC group (the "group") takes a proactive position on health, safety and environmental standards, promoting participation by management and staff at all levels in the organisation. Safety is the group's number one priority and the directors take an active role in leading the company, paying attention to leading and lagging indicators for both Occupational and Process Safety with "Zero Harm" being the ultimate aim.

Reporting of 'near misses' is actively encouraged amongst all employees, incidents are investigated and communicated. The directors work with senior management to remove any barriers to the reporting of issues up the management hierarchy and promote an open culture of communication.

To further enhance the open culture the group launch 'Stop work policy' a declaration by the senior management team that employee have the authority to stop work if there is any concern regarding health and safety in the workplace.

The Company also launched its Health and Wellbeing initiative 'Commit to Be Fit' where all employees received training, a personal activity device and encouraged to review their lifestyle choices.

The group has a Major Accident prevention policy which has been cascaded down to all employees. All of the group's site activities have been considered in depth, the major hazards identified, the risks assessed and measures taken to reduce them to a level that is as low as is reasonably practicable.

Principal operating activities have continued as:-

Explosives – industrial explosives, allied products and services for quarries, mines and civil engineering

Blasting Services - drilling and blasting services

Fuel Additives - fuel additives, chemicals and third party services

Logistics - transport and forwarding

EDSL - secure services, handling and destruction of hazardous materials

The directors report that a profit for the year of £1,286,000 was achieved in 2017 (2016: £2,378,000).

Principal risks and uncertainties

The key business risks and uncertainties affecting the group are considered to relate to competition, credit risk and the liabilities under the defined benefit pension scheme. These risks are managed and mitigated through the group's operational and accounting controls, policies and procedures.

The group recognises the risks it faces in connection with its business operations and monitors various key performance indicators as part of its monthly accounting and management reporting processes. These key performance indicators include sales and margin trends, health and safety indicators and employee statistics. Much of this information is commercially sensitive in nature.

EPC UNITED KINGDOM PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Research and development

Research and Development is carried out appropriate to the group's needs so as to improve, or to maintain; the competitive position of the group's products in their respective market places. These activities resulted in a £134,000 (2016: £1,082,000) Research and Development Expenditure Credit (RDEC) for projects carried out in 2017.

Modern Slavery

The Company has implemented a Modern Slavery and Human Trafficking Policy which is available on the company's website.

Financial key performance indicators

The primary tool for monitoring financial performance is monthly management accounts. These are compared to budgets and forecasts at both company and Group level. Performance of the different operational activities is monitored using appropriate measures. Significant issues are discussed at management meetings when any risks noted in the Directors' Report are also highlighted.

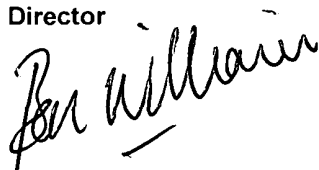
	2017	2016
Operating profit margin	3.2%	4.9%
Return on capital employed (a)	37.6%	134%

(a) return being operating profit per financial statements

This report was approved by the board on 31st May 2018

and signed on its behalf by:

B.C. Williams
Director



EPC UNITED KINGDOM PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £1,286,000 (2016: £2,378,000).

A dividend of £400,000 was proposed but not paid by the date of approval of these accounts (2016: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

P.G.F.B de Brancion
B.C. Williams
O.L. Obst
D.K.J. Howard (resigned 31 December 2017)
R.R. Keen
J. French

Financial risk management

Price and foreign exchange risk

The major price risks faced by the group relate to the impact of world prices for oil on key raw materials. Other risks relate to the fluctuation in currency exchange rates.

The company hedges its foreign currency exposure by making forward foreign exchange contracts with its principal bankers for 6 months in the future.

Credit risk

The group has policies which require regular credit checks on its major customers.

Liquidity risk

The group has appropriate banking facilities in place to adequately maintain its liquidity.

Future developments

The directors are optimistic about prospects for 2018.

Overall in the coming year the aim is to concentrate on achieving maximum growth in existing market segments, continue to develop and build existing relationships with customers and generate new business where possible.

Employee involvement

The company places considerable value on the full engagement of its employees and has continued its previous practice of keeping them informed regularly through team briefings, employee forums and newsletters. The company attaches great importance to the Esprit D'Equipe initiative whereby employees act as Safety Ambassadors to develop and communicate a Safe Working message, to establish a culture in line with the SPIRIT values.

Disabled employees

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Statement of directors responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

EPC UNITED KINGDOM PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **31st May 2018** and signed on its behalf.


**D. Bloor
Secretary**

Reg No. 00084170

Venture Crescent
Nix's Hill Industrial Estate
Alfreton
Derbyshire
DE55 7RA

EPC UNITED KINGDOM PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EPC UNITED KINGDOM PLC

Report on the audit of the financial statements

Opinion

In our opinion EPC United Kingdom Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

EPC UNITED KINGDOM PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EPC UNITED KINGDOM PLC (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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 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 company or to cease operations, or have no realistic alternative but to do so.

EPC UNITED KINGDOM PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EPC UNITED KINGDOM PLC (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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 auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

David Martin

David Martin (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

4 June 2018

EPC UNITED KINGDOM PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	64,734	61,804
Cost of sales		(49,165)	(45,886)
Gross profit		15,569	15,918
Administrative expenses		(14,747)	(15,190)
Other operating income		1,232	2,284
Operating profit	5	2,054	3,012
Interest receivable and similar income	9	1	2
Interest payable and similar expenses	10	(33)	(51)
Other finance costs	11	(403)	(345)
Profit before taxation		1,619	2,618
Tax on profit	12	(333)	(240)
Profit for the financial year		1,286	2,378
Other comprehensive income/(expense) for the year			
Actuarial gains/(losses) on defined benefit pension scheme		2,358	(6,891)
Movement of deferred tax relating to pension deficit		(424)	1,240
Other comprehensive income/(expense) for the year		1,934	(5,651)
Total comprehensive income/(expense) for the year		3,220	(3,273)

The notes on pages 15 to 43 form part of these financial statements.

EPC UNITED KINGDOM PLC
REGISTERED NUMBER:00084170

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	14	378	408
Tangible assets	15	8,258	7,881
Investments property	16	1,670	1,670
Investments	17	2,511	2,511
		<u>12,817</u>	<u>12,470</u>
Current assets			
Stocks	18	3,223	3,109
Debtors Within One Year	19	13,440	15,186
Cash at bank and in hand	20	873	788
		<u>17,536</u>	<u>19,083</u>
Creditors: amounts falling due within one year	21	(12,591)	(13,454)
Net current assets		<u>4,945</u>	<u>5,629</u>
Total assets less current liabilities		<u>17,762</u>	<u>18,099</u>
Provisions for liabilities			
Other provisions	24	(49)	(79)
		<u>(49)</u>	<u>(79)</u>
Net assets excluding pension liability		<u>17,713</u>	<u>18,020</u>
Defined benefit pension scheme liability	28	(12,245)	(15,772)
Net assets		<u><u>5,468</u></u>	<u><u>2,248</u></u>

EPC UNITED KINGDOM PLC
REGISTERED NUMBER:00084170

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Capital and reserves			
Called up share capital	25	990	990
Revaluation reserve	26	2,078	2,078
Profit and loss account	26	2,400	(820)
Total equity		<u>5,468</u>	<u>2,248</u>
		<u>5,468</u>	<u>2,248</u>

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



B.C. Williams
Director

31st May 2018

Reg No. 00084170

The notes on pages 15 to 42 form part of these financial statements.

EPC UNITED KINGDOM PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	990	2,078	(820)	2,248
Comprehensive income for the year				
Profit for the financial year	-	-	1,286	1,286
Actuarial gains (net of tax) on pension scheme	-	-	1,934	1,934
Other comprehensive income for the year	-	-	1,934	1,934
Total comprehensive income for the year	-	-	3,220	3,220
At 31 December 2017	990	2,078	2,400	5,468

EPC UNITED KINGDOM PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	990	2,078	79	2,749	5,896
Comprehensive income for the year					
Profit for the financial year	-	-	-	2,378	2,378
Actuarial losses on pension scheme	-	-	-	(5,651)	(5,651)
Other comprehensive income for the year	-	-	-	(5,651)	(5,651)
Total comprehensive income for the year	-	-	-	(3,273)	(3,273)
Dividends: Equity capital	-	-	-	(296)	(296)
Transfer to/from profit and loss account	-	-	(79)	-	(79)
Total transactions with owners	-	-	(79)	(296)	(375)
At 31 December 2016	990	2,078	-	(820)	2,248

The notes on pages 15 to 43 form part of these financial statements.

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

EPC United Kingdom PLC's (the "company") principal activity is that of manufacturing and supplying industrial explosives and allied products for mines, quarries and civil engineering, drilling and blasting services, Fuel additives, chemicals together with transport and forwarding.

The company is a public company limited by shares and is incorporated and domiciled in England. The address of its registered office is: Venture Crescent, Nix's Hill Industrial Estate, Alfreton, Derbyshire, DE55 7RA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Cash flow statement

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Societe E J Barbier, includes the company's cash flows in its own consolidated financial statements.

2.3 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirement to prepare a statement of cash flows. (Section 7 of FRS 102 and para 3.17(d))
- the non-disclosure of key management personnel compensation in total. (FRS 102 para 33.7).

This information is included in the consolidated financial statements of Societe E J Barbier as at 31 December 2017 which are available from Le Registre du Commerce et des Societes, France.

2.4 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.5 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 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 Statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, 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 Company 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 Company. 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- Freehold property-Equal annual instalments over 30 years or the estimated useful life, if this is a shorter period.
Short-term leasehold property	- Equal instalments over the period of the lease.
Plant and machinery	- Annual instalments over the estimated useful lives of the assets concerned, which vary between 3 and 20 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 in the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.8 Operating leases

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

2.9 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.

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

2.11 Debtors

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

2.12 Cash and cash equivalents

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

2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.13 Financial instruments (continued)

third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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 Statement of comprehensive income.

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 of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income.

2.14 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within "administration expenses".

2.16 Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

2.17 Dividends

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

2.18 Equipment leased to customers

Where assets leased to a third party give rights approximating to ownership (finance leases), the assets are treated as if they had been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum lease payments over net book value is credited to profit or loss.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.19 Leasing and hire purchase

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.

2.20 Interest income

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

2.21 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.22 Provisions for liabilities

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.23 Pensions

Defined contribution pension plan

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

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

Defined benefit pension plan

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

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

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

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

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

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.24 Current and deferred taxation

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

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

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

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

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

2.25 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.

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.

2.26 Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group.

2.27 Turnover

Turnover represents amounts invoiced by the company in respect of goods supplied and services rendered during the year, excluding value added tax and discounts. Turnover is recognised when goods have been delivered and services have been completed.

Accrued income is recognised where the goods or services have been provided but not yet invoiced.

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.28 Consolidated financial statements

The financial statements contain information about EPC United Kingdom plc as an individual company and do not contain consolidated financial information. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent Societe E J Barbier.

2.29 Other operating income

Other operating income relates to the recharge of employees of the company to other group companies plus Research and Development Expenditure Credit (RDEC).

2.30 Investment property

Investment property is carried at fair value determined annually by internal valuers and 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. Changes in fair value are recognised in the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. Estimates and assumptions are used in most areas of reporting. The ones having a greater chance of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually and amended if deemed necessary. See note 15 for the carrying amount of the tangible assets, and note 2.6 for the useful economic lives for each class of assets.

Stock provisions

The company manufactures a wide range of products across different product areas. Differing production methods are also used. To ensure that a fair net carrying amount is stated, the recoverability of the cost of stock, and the associated provisioning required is considered. When making stock provisions, management consider the nature and condition of the inventory, together with any time restrictions on its use. Assumptions about the anticipated saleability of finished goods, and future usage of raw materials are made. See note 18 for the net carrying amount of the inventory and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. Management makes an assessment of trade and other debtors by reviewing the ageing profile of debtors and historical experience. See note 19 for the net carrying amount of the debtors plus any associated impairment provision, if any.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. These factors are estimated by management in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 28 for the disclosures relating to the defined benefit pension scheme.

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	54,802	52,031
Rest of Europe	8,685	9,034
Rest of the world	1,247	739
	<u>64,734</u>	<u>61,804</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Research and development tax credit	(134)	(1,082)
Recharges to other group companies	(895)	(1,024)
Depreciation of tangible fixed assets	1,104	1,175
Amortisation of intangible assets, including goodwill	30	25
Other operating lease rentals	3,082	2,875
Loss on sale of tangible assets	51	20
Foreign exchange (gains)/losses	(1)	590
Inventory recognised as expense	<u>49,165</u>	<u>45,896</u>

6. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	<u>82</u>	<u>81</u>
Fees payable to the Company's auditor and its associates in respect of:		
All other services	<u>11</u>	<u>6</u>
	<u>11</u>	<u>6</u>

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Employees

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

	2017 £000	2016 £000
Wages and salaries	9,936	9,574
Social security costs	1,050	986
Cost of defined benefit scheme	(418)	214
Cost of defined contribution scheme	276	239
	<u>10,844</u>	<u>11,013</u>

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

	2017 No.	2016 No.
Manufacturing	146	146
Marketing, administrative and research and development	110	110
	<u>256</u>	<u>256</u>

8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	482	377
Company contributions to defined contribution pension schemes	61	54
	<u>543</u>	<u>431</u>

These amounts include emoluments totalling £210,577 (2016: £187,195) paid by a fellow subsidiary undertaking as well as £107,000 (2016: £nil) payment for loss of office.

The highest paid director received remuneration of £222,577 (2016: £199,195).

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group companies	1	2
	1	2

10. Interest payable and similar expenses

	2017 £000	2016 £000
Bank interest payable	33	51
	33	51

11. Other finance costs

	2017 £000	2016 £000
Net interest on net defined benefit liability	403	345
	403	345

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tax

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	24	-
Adjustments in respect of previous periods	-	308
	24	308
Total current tax	24	308
Deferred tax		
Origination and reversal of timing differences	75	200
Pension timing differences	210	110
Adjustment in respect of prior periods	24	(378)
Total deferred tax	309	(68)
Tax on profit on ordinary activities	333	240

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tax (continued)

Factors affecting tax charge for the year

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

	2017 £000	2016 £000
Profit before tax	1,619	2,618
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	312	523
Effects of:		
Expenses/(income) not deductible for tax purposes, other than goodwill amortisation and impairment	33	(353)
Income not taxable	(26)	-
Adjustments to tax charge in respect of prior periods	24	(70)
Tax rate changes	(10)	140
Total tax charge for the year	333	240

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Dividends

	2017 £000	2016 £000
Ordinary shares of 50p each	-	228
Deferred shares of 10p each	-	68
	-	296

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2017	471	50	521
At 31 December 2017	471	50	521
Accumulated amortisation			
At 1 January 2017	86	27	113
Charge for the year	25	5	30
At 31 December 2017	111	32	143
Net book value			
At 31 December 2017	360	18	378
At 31 December 2016	385	23	408

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. Tangible assets

	Freehold property £000	Short-term leasehold property £000	Plant and machinery £000	Total £000
Cost or valuation				
At 1 January 2017	3,937	76	15,757	19,770
Additions	33	-	1,510	1,543
Disposals	(62)	-	(2,392)	(2,454)
At 31 December 2017	3,908	76	14,875	18,859
Accumulated depreciation				
At 1 January 2017	2,268	44	9,577	11,889
Charge for the year	77	-	1,027	1,104
Disposals	(62)	-	(2,330)	(2,392)
At 31 December 2017	2,283	44	8,274	10,601
Net book value				
At 31 December 2017	1,625	32	6,601	8,258
At 31 December 2016	1,669	32	6,180	7,881

The net book value of land and buildings may be further analysed as follows:

	2017 £000	2016 £000
Freehold	1,625	1,668
Short leasehold	32	32
	<u>1,657</u>	<u>1,700</u>

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Investment property

	Freehold investment property £000
Valuation	
At 1 January 2017	1,670
At 31 December 2017	1,670

The 2016 valuations were made by Fenn Wright, on an open market value for existing use basis. The directors believe the fair value of the property has not changed since the external valuation in 2016.

At 31 December 2017

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2017 £000	2016 £000
Historic cost	468	468
	468	468

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2017	3,086
At 31 December 2017	<u>3,086</u>
Impairment	
At 1 January 2017	575
At 31 December 2017	<u>575</u>
Net book value	
At 31 December 2017	<u>2,511</u>
At 31 December 2016	<u>2,511</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Blasting Services Limited	Ordinary	100 %	Dormant
Exchem Explosives Limited	Ordinary	100 %	Dormant
Exchem Transport Limited	Ordinary	100 %	Dormant
EDSL Limited	Ordinary	100 %	Dormant
EPC Metrics Limited	Ordinary	100 %	Manufacturing and environmental servicing
Exchem Defence Systems Limited	Ordinary	100 %	Dormant

The registered address of the above listed companies is:

Venture Crescent
Nix's Hill Industrial Estate
Alfreton
Derbyshire
DE55 7RA

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,432	1,343
Work in progress	37	55
Finished goods and goods for resale	1,754	1,711
	3,223	3,109

An impairment provision of £225,000 (2016 : £264,000) is in the above due to slow-moving and obsolete stock.

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Debtors: Amounts falling due within one year

	2017 £000	2016 £000
Trade debtors	9,804	11,261
Amounts owed by group undertakings	867	468
Other debtors	5	7
Deferred taxation (note 23)	1,891	2,624
Prepayments and accrued income	873	826
	<u>13,440</u>	<u>15,186</u>

The amounts owed by group undertakings are unsecured, payable on demand and non-interest bearing. Trade Debtors are stated after provisions for impairment of £nil (2016: £nil)

20. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	873	788
Less: bank overdrafts	(1,327)	-
	<u>(454)</u>	<u>788</u>

21. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	1,327	-
Trade creditors	5,661	7,684
Amounts owed to group undertakings	3,597	3,208
Corporation tax	24	39
Other taxation and social security	480	809
Obligations under finance lease and hire purchase contracts	1	8
Other creditors	1,501	1,706
	<u>12,591</u>	<u>13,454</u>

Bank overdrafts are secured by a fixed charge over certain assets of the company. Lease purchase obligations are secured on the specific assets to which they relate. The amounts owed to group undertakings are unsecured, payable on demand and are non-interest bearing.

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	873	788
Financial assets that are debt instruments measured at amortised cost	10,676	11,737
	<u>11,549</u>	<u>12,525</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(12,591)	(13,454)
	<u>(12,591)</u>	<u>(13,454)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts owed to group undertakings, other creditors, corporation tax, hire purchase liability, other taxation and social security.

23. Deferred taxation

	2017 £000
At beginning of year	2,624
Credited to profit or loss	(309)
Credited to other comprehensive income	(424)
At end of year	<u>1,891</u>

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(326)	(322)
Short term timing differences	13	19
Pension deficit	2,204	2,838
Tax deducted at source	-	89
	<u>1,891</u>	<u>2,624</u>

24. Other Provisions

	Land and building decontamination £000
At 1 January 2017	79
Charged to profit or loss	(30)
At 31 December 2017	<u><u>49</u></u>

The company is committed to a policy of environmental protection and appropriate action is taken to deal with contamination. A provision has been made to cover the clean-up costs of historic contamination. This is expected to be utilised over a period exceeding one year. During the financial year the provision was utilised further for the safe removal of asbestos by £30,000 (2016: £19,000).

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
1,858,890 (2016: 1,858,890) Ordinary Shares shares of £0.50 each	929	929
610,000 (2016: 610,000) Deferred Shares shares of £0.10 each:	61	61
	990	990

26. Reserves

Revaluation reserve

The Revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

27. Capital commitments

At 31 December 2017 the Company had capital commitments as follows:

	2017 £000	2016 £000
Contracted for but not provided in these financial statements	704	250
	704	250

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28. Pension commitments

The company operates a pension scheme, The EPC UK PLC Pension and Assurance Scheme ("the Scheme"), which has both a defined benefit and defined contribution section. The defined benefit section of the Scheme provides benefits based on final pensionable pay. The Scheme is funded with the assets being held by the Trustees separately from the assets of the company. The Scheme was closed to new entrants on 1 October 2006.

The Scheme has a number of participating employers. The Principal Employer for the Scheme is EPC United Kingdom PLC. The assets and liabilities attributable to each of the participating employers have been identified and disclosed separately for each employer.

A formal actuarial valuation was undertaken as at 31 December 2014. This showed a total shortfall across all participating employers of £15,003,000 which is being met by additional contributions of £927,482 per annum (increasing at 3% per annum) with effect from 1 April 2015 until 30 April 2026. The company will also pay contributions in respect of future benefit accrual.

EPC United Kingdom PLC also contributes to individual pension arrangements. The assets of these arrangements are held separately from those of the Company with insurance companies. The pension cost represents the contributions payable by the Company to these arrangements and amounted to £276,000 (2016: £239,000). At the balance sheet date, the company owed £43,000 (2016: £39,000) in respect of these contributions.

As at 1 January 2013, Blasting Services Limited's assets and liabilities were transferred to EPC United Kingdom PLC, and Blasting Services Limited ceased to participate in the Scheme going forward. The Trustees of the Scheme agreed to enter into a Flexible Apportionment Arrangement (FAA) which resulted in Blasting Services Limited's share of the Scheme's assets and liabilities being apportioned to EPC United Kingdom PLC.

On 19 December 2017 the Company issued a final announcement after member consultation to close the Scheme to future accrual from 6 April 2018.

As the Company was committed to the changes as at 31 December 2017, we have recognised a curtailment gain in the Profit and Loss account as at 31 December 2017, to reflect the known event that from 6 April 2018 future salary increases will be replaced by revaluation in deferment in line with CPI. As future salary increases are expected to be higher than the deferred revaluation (3.1% p.a. for salary increases vs 2.1% for deferred revaluation) there is therefore a reduction in the value placed on the liabilities and a corresponding curtailment gain.

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

28. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(54,282)	(43,492)
Current service cost	(328)	(214)
Interest cost	(1,415)	(1,661)
Actuarial losses	(435)	(10,719)
Contributions	(175)	(181)
Benefits paid	1,985	1,985
Curtailment gain	746	-
At the end of the year	(53,904)	(54,282)

Reconciliation of present value of plan assets:

	2017 £000	2016 £000
At the beginning of the year	38,510	33,999
Interest income	1,012	1,316
Actuarial gains	2,793	3,828
Contributions	1,483	1,458
Benefits paid	(1,985)	(1,985)
Administration expenses	(154)	(106)
At the end of the year	41,659	38,510

Composition of plan assets:

	2017 £000	2016 £000
Equities and hedge funds	12,164	12,131
Bonds	9,136	9,003
Liability driven investment	11,019	8,331
Diversified growth fund	9,073	8,801
Cash and other assets	267	244
Total plan assets	41,659	38,510

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28. Pension commitments (continued)

	2016 £000	2016 £000
Fair value of plan assets	41,659	38,510
Present value of plan liabilities	(53,904)	(54,282)
Net pension scheme liability	(12,245)	(15,772)

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Current service cost	(328)	(214)
Net interest expense on defined benefit plan	(403)	(345)
Administration expenses	(154)	(106)
Gains on curtailments	746	-
Total	(139)	(665)
Actual return on scheme assets	3,805	5,144

EPC UNITED KINGDOM PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28. Pension commitments (continued)

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

	2017	2016
	%	%
Discount rate	2.50	2.65
Rate of increase in salaries	3.10	3.20
Rate of increase in pensions in payment (accrued after 5 April 1997)	3.00	3.05
Retail Price Inflation	3.10	3.20
Consumer Price Inflation	2.10	2.20
Mortality rates		
Life expectancy at 65, male currently aged 65	21.2	21.3
Life expectancy at 65, female currently aged 65	23.2	23.3
Life expectancy at 65, male currently aged 45	22.6	22.9
Life expectancy at 65, female currently aged 45	24.5	25.2

29. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£000	£000
Not later than 1 year	2,560	2,464
Later than 1 year and not later than 5 years	2,972	3,320
Later than 5 years	221	25
	5,753	5,809

EPC UNITED KINGDOM PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

30. Related party transactions

Transactions are carried out with the Societe EJ Barbier Group of companies and associates. During the year, the transactions included purchases by the company of £3,493,000 (2016: £3,559,000) and sales by the company of £1,622,000 (2016: £1,327,000). At 31 December 2017 the company was due £867,000 (2016: £468,000) from group and associate companies and owed £3,597,000 (2016: £3,208,000) to group and associate companies.

31. Controlling party

The immediate parent undertaking of EPC United Kingdom PLC is Societe Anonyme d'Explosifs et de Produits Chimiques (EPC). The directors regard the ultimate parent company as Societe E J Barbier, which is incorporated in France and owns 66.67% of the shares of EPC.

Societe E J Barbier publishes consolidated group financial statements which are available from Greffe du Tribunal de Commerce de Paris, 1 Quai de Corse, 75004 Paris. EPC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of EPC, a company incorporated in France and quoted on the Bourse de Paris, are available to the public from Greffe du Tribunal de Commerce de Paris, 1 Quai de Corse, 75004 Paris.