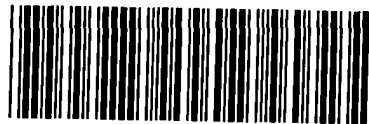

LIGNACITE LIMITED

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

TUESDAY



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COMPANIES HOUSE

LIGNACITE LIMITED

COMPANY INFORMATION

DIRECTORS

N H J de Lotbiniere
M E J de Lotbiniere
G A J de Lotbiniere
A G Eastwood
M A Pearson
G A Innes
W N Mason-Jones
H E J de Lotbiniere (appointed 22 February 2018)

COMPANY SECRETARY

Mrs B Edwards

REGISTERED NUMBER

00436709

REGISTERED OFFICE

Norfolk House
High Street
Brandon
Suffolk
IP27 0AX

INDEPENDENT AUDITORS

MA Partners LLP
Chartered Accountants & Statutory Auditors
7 The Close
Norwich
Norfolk
NR1 4DJ

LIGNACITE LIMITED

CONTENTS

	Page
Strategic Report	1
Directors' Report	2 - 3
Independent Auditors' Report	4 - 6
Statement of Comprehensive Income	7
Statement of Financial Position	8 - 9
Statement of Changes in Equity	10 - 11
Statement of Cash Flows	12 - 13
Notes to the Financial Statements	14 - 36

LIGNACITE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

BUSINESS REVIEW

The company operates from two factories at Brandon in Suffolk and Nazeing in Essex. It manufactures building blocks.

Turnover for the year rose from £27,811,228 to £30,696,674, an increase of 10.4%. Gross margin rose from 27.9% to 29.0%.

2017 saw further improvement in both turnover and margins. This consolidation puts the company in a strong position to continue to invest in the business to ensure ongoing stability and success.

PRINCIPAL RISKS AND UNCERTAINTIES

New building solutions and government legislation mean that the company needs to keep innovating to stay at the forefront of the industry.

The company uses various financial instruments including loans, cash and items such as debtors and creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for the company's operations. The existence of these facilities exposes the company to a number of financial risks, which are described in more detail below. The main risks are: credit risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged from previous years.

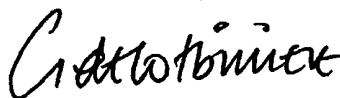
Credit risk

The company's principal credit risk relates to the recovery of amounts owed by trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and credit worthiness. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Debts are actively chased when necessary.

Liquidity risk

Current and projected working capital demands are reviewed in conjunction with existing finance facilities to determine cash requirements as part of the routine reporting process.

This report was approved by the board on 8 May 2018 and signed on its behalf.



G A J de Lotbiniere
Director

LIGNACITE LIMITED

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.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,040,908 (2016 - £3,381,613).

Dividends paid in the current year totalled £235,745 (2016 - £112,265).

DIRECTORS

The directors who served during the year were:

N H J de Lotbiniere
M E J de Lotbiniere
G A J de Lotbiniere
A G Eastwood
M A Pearson
G A Innes
W N Mason-Jones

FUTURE DEVELOPMENTS

The Company continues to invest primarily in its two plants to ensure they are kept up to date and fully operational. The Directors are exploring a number of other options to facilitate organic growth in the future.

LIGNACITE LIMITED

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

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

This report was approved by the board on 8 May 2018 and signed on its behalf.



.....
Mrs B Edwards
Secretary

LIGNACITE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIGNACITE LIMITED

OPINION

We have audited the financial statements of Lignacite Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

LIGNACITE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIGNACITE LIMITED (CONTINUED)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

LIGNACITE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIGNACITE LIMITED (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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

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 Auditors' 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.

C J Dugdale FCA (Senior Statutory Auditor)

for and on behalf of

MA Partners LLP

Chartered Accountants
Statutory Auditors

7 The Close
Norwich
Norfolk
NR1 4DJ

8 May 2018

LIGNACITE LIMITED

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

	Note	2017 £	2016 £
Turnover	4	30,696,674	27,811,228
Cost of sales		<u>(21,779,764)</u>	<u>(20,056,118)</u>
GROSS PROFIT		8,916,910	7,755,110
Distribution costs		(1,484,195)	(1,321,441)
Administrative expenses		(2,476,701)	(2,198,399)
Other operating income	5	62,831	71,966
Gain on revaluation of investment property		-	11,250
OPERATING PROFIT	6	5,018,845	4,318,486
Interest receivable and similar income	11	9,791	47,870
Interest payable and expenses	12	(27,811)	(114,136)
Other finance income		(5,000)	(20,000)
PROFIT BEFORE TAX		4,995,825	4,232,220
Tax on profit	14	(954,917)	(850,607)
PROFIT FOR THE FINANCIAL YEAR		<u>4,040,908</u>	<u>3,381,613</u>
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Actuarial gain/(loss) on defined benefit schemes		(192,000)	249,000
Movements of deferred tax relating to pension deficit		19,400	(65,730)
		<u>(172,600)</u>	<u>183,270</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,868,308</u>	<u>3,564,883</u>

The notes on pages 14 to 36 form part of these financial statements.

LIGNACITE LIMITED
REGISTERED NUMBER: 00436709

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	17	12,752,991	10,220,129
Investments	19	5	5
Investment property	18	236,250	236,250
		<u>12,989,246</u>	<u>10,456,384</u>
CURRENT ASSETS			
Stocks	20	1,803,807	1,834,680
Debtors: amounts falling due after more than one year	21	269,900	275,000
Debtors: amounts falling due within one year	21	4,770,069	6,259,563
Cash at bank and in hand	22	2,387,802	2,159,997
		<u>9,231,578</u>	<u>10,529,240</u>
Creditors: amounts falling due within one year	23	<u>(3,597,084)</u>	<u>(4,318,491)</u>
NET CURRENT ASSETS		5,634,494	6,210,749
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,623,740</u>	<u>16,667,133</u>
Creditors: amounts falling due after more than one year	24	<u>-</u>	<u>(1,922,356)</u>
		18,623,740	14,744,777
PROVISIONS FOR LIABILITIES			
Deferred taxation	27	<u>(550,778)</u>	<u>(535,722)</u>
		(550,778)	(535,722)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>18,072,962</u>	<u>14,209,055</u>
Pension liability	30	<u>(272,450)</u>	<u>(194,850)</u>
NET ASSETS		<u><u>17,800,512</u></u>	<u><u>14,014,205</u></u>

LIGNACITE LIMITED
REGISTERED NUMBER: 00436709

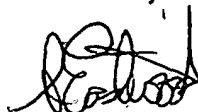
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
CAPITAL AND RESERVES			
Called up share capital	29	97,302	93,558
Share premium account	28	88,200	88,200
Revaluation reserve	28	1,264,008	1,264,008
Other reserves	28	111,250	111,250
Profit and loss account	28	16,239,752	12,457,189
		<u>17,800,512</u>	<u>14,014,205</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 May 2018.



G A J de Lotbiniere
Director



A G Eastwood
Director

The notes on pages 14 to 36 form part of these financial statements.

LIGNACITE LIMITED

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

	Called up share capital £	Share premium account £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2017	93,558	88,200	1,264,008	111,250	12,457,189	14,014,205
COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	-	-	-	-	4,040,908	4,040,908
Actuarial losses on pension scheme (net of deferred tax)	-	-	-	-	(172,600)	(172,600)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	(172,600)	(172,600)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	3,868,308	3,868,308
Dividends: Equity capital	-	-	-	-	(235,745)	(235,745)
Shares issued during the year	3,744	-	-	-	-	3,744
Other movement	-	-	-	-	150,000	150,000
TOTAL TRANSACTIONS WITH OWNERS	3,744	-	-	-	(85,745)	(82,001)
AT 31 DECEMBER 2017	97,302	88,200	1,264,008	111,250	16,239,752	17,800,512

LIGNACITE LIMITED

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

	Called up share capital	Share premium account	Revaluation reserve	Fair value reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2016	92,665	88,200	1,264,008	100,000	9,015,452	10,560,325
COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	-	-	-	-	3,381,613	3,381,613
Actuarial gains on pension scheme (net of deferred tax)	-	-	-	-	183,270	183,270
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	183,270	183,270
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	3,564,883	3,564,883
Dividends: Equity capital	-	-	-	-	(112,265)	(112,265)
Shares issued during the year	893	-	-	-	-	893
Other movement	-	-	-	-	369	369
Transfer to fair value reserve	-	-	-	11,250	(11,250)	-
TOTAL TRANSACTIONS WITH OWNERS	893	-	-	11,250	(123,146)	(111,003)
AT 31 DECEMBER 2016	93,558	88,200	1,264,008	111,250	12,457,189	14,014,205

The notes on pages 14 to 36 form part of these financial statements.

LIGNACITE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	4,040,908	3,381,613
ADJUSTMENTS FOR:		
Depreciation of tangible assets	676,325	657,236
Loss on disposal of tangible assets	2,971	(8,100)
Interest paid	27,811	114,136
Interest received	(9,791)	(4,346)
Taxation charge	954,917	850,607
Decrease in stocks	30,873	133,770
Decrease/(increase) in debtors	1,560,429	(3,275,181)
(Decrease)/increase in creditors	(85,650)	733,507
(Decrease) in net pension assets/liabilities	(100,000)	(100,000)
Net fair value losses/(gains) recognised in P&L	-	(11,250)
Corporation tax paid	(1,383,768)	(230,364)
Share options	150,000	369
Other finance income	5,000	20,000
Movement on derivatives	-	(43,524)
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,870,025	2,218,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(3,224,006)	(532,343)
Sale of tangible fixed assets	11,849	8,100
Interest received	9,791	4,346
HP interest paid	-	(24,729)
NET CASH FROM INVESTING ACTIVITIES	(3,202,366)	(544,626)

LIGNACITE LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	3,744	893
Repayment of loans	(2,134,211)	(905,101)
Dividends paid	(235,745)	(112,265)
Interest paid	(27,811)	(89,407)
NET CASH USED IN FINANCING ACTIVITIES	(2,394,023)	(1,105,880)
INCREASE IN CASH AND CASH EQUIVALENTS	273,636	567,967
Cash and cash equivalents at beginning of year	2,114,166	1,546,199
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	2,387,802	2,114,166
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	2,387,802	2,159,997
Bank overdrafts	-	(45,831)
	2,387,802	2,114,166

LIGNACITE LIMITED

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

1. GENERAL INFORMATION

The entity is a Company limited by shares, incorporated in the United Kingdom. The registered office address of the Company is Norfolk House, High Street, Brandon, Suffolk, IP27 0AX.

The principal activity of the company continues to be that of the manufacture of building blocks.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue comprises income recognised by the company in respect of the sale of building blocks during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised on delivery of goods to the customer.

2.3 Intangible assets

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Statement of Comprehensive Income over its estimated economic life.

2.4 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.

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.

The estimated useful lives range as follows:

Freehold buildings	- 10 or 50 years straight line
Plant & machinery	- 4, 5, 10 or 15 years straight line
Fixtures & fittings	- 3 or 4 years straight line

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

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried 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 Statement of Financial Position 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 the Income Statement.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

2.7 Investment property

Investment property is carried at fair value. No depreciation is provided. Changes in fair value are recognised in the Income Statement.

2.8 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

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

2.10 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 third parties and loans to related parties.

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.

LIGNACITE LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.11 Hedge accounting

The Company uses foreign currency forward contracts to manage its exposure to cash flow risk on its foreign currency expenditure. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

2.12 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 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 'other operating income'.

2.13 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.

2.14 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.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.15 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 payment 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 Statement of Financial Position. 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 Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

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)

2.16 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 reporting 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 Statement of Financial Position date, except that:

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

**3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key sources of estimation uncertainty

(i) Depreciation of assets - the directors set depreciation rates for depreciable assets based on their useful lives and residual value. This requires estimation of the expected utility of the assets.

(ii) Investment and freehold property revaluations - the valuations have been made by the directors, on an open market value for existing use basis.

4. REVENUE

The whole of the revenue is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

LIGNACITE LIMITED

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

5. OTHER OPERATING INCOME

	2017	2016
	£	£
Net rents receivable	62,831	71,966
	62,831	71,966

6. OPERATING PROFIT

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	676,325	657,236
Defined contribution pension cost	64,570	63,338
Defined benefit pension cost	64,499	84,073
	805,394	804,647

7. AUDITORS' REMUNERATION

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	13,600	13,265
	13,600	13,265

LIGNACITE LIMITED

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

8. EMPLOYEES

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

	2017 £	2016 £
Wages and salaries	3,866,010	3,519,180
Social security costs	429,085	383,823
Cost of defined benefit scheme	64,499	84,073
Cost of defined contribution scheme	64,570	63,338
	<u>4,424,164</u>	<u>4,050,414</u>

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

	2017 No.	2016 No.
Production	47	41
Sales and distribution	18	17
Administration	16	16
	<u>81</u>	<u>74</u>

9. DIRECTORS' REMUNERATION

	2017 £	2016 £
Directors' emoluments	858,036	815,974
Amounts receivable under long-term incentive schemes	150,000	369
Company contributions to defined contribution pension schemes	64,570	63,338
	<u>1,072,606</u>	<u>879,681</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £335,303 (2016 - £310,700).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,883 (2016 - £26,151).

During the year 1 director received shares under the long term incentive schemes (2016 -2)

The highest paid director exercised share options during the year.

LIGNACITE LIMITED

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

10. SHARE BASED PAYMENTS

During the year ended 31 December 2017, the company had share based payment arrangements with three of its directors. The agreements entitle each director to acquire shares in the company at an exercise price of £1 per share, subject to the vesting conditions.

The terms of the grants whereby all options are settled by delivery of shares, are as follows.

Grant date	No. of shares	Date from which options are available for exercise	No. are outstanding for at 1 January 2017	No. outstanding at 31 December 2017	Exercised during the period	Exercisable at 31 December 2017
26 May 2011	4464	26 May 2011	-	-	-	-
26 May 2011	893	29 March 2012	-	-	-	-
26 May 2011	892	25 March 2013	-	-	-	-
26 May 2011	892	28 April 2014	-	-	-	-
26 May 2011	892	17 April 2015	-	-	-	-
26 May 2011	892	31 March 2016	892	148	744	148
26 October 2017	3000	26 October 2017	-	-	3,000	-

No options were forfeited or expired.

The vesting conditions for the 2011 grant are that the director remains in employment with the company and the accounts for the company show an operating profit before interest and tax. Each accounting year should be considered in isolation.

The vesting conditions for the 2017 grant are that the director works for the company for at least 25 hours per week or 75% of his working time. Each accounting year should be considered in isolation.

All options under the above arrangements will lapse on the day before the tenth anniversary of the grant date.

The fair value of services received in return for share options granted in 2011 are measured by reference to the fair value of the share options at the grant date, being £8.00. The fair value of the services received has been recognised on a straight line basis over the vesting period. In the current year additional directors' remuneration of £nil has been recognised in respect of the share based payments.

The fair value of services received in return for share options granted in 2017 are measured by reference to the fair value of the share options at the grant date, being £50.00. The fair value of the services received has been recognised on a straight line basis over the vesting period. In the current year additional directors' remuneration of £150,000 has been recognised in respect of the share based payments.

11. INTEREST RECEIVABLE

	2017 £	2016 £
Other interest receivable	9,791	47,870
	<u>9,791</u>	<u>47,870</u>

LIGNACITE LIMITED

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

12. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Bank interest payable	27,811	89,407
Finance leases and hire purchase contracts	-	24,729
	<u>27,811</u>	<u>114,136</u>

13. OTHER FINANCE COSTS

	2017 £	2016 £
Interest income on pension scheme assets	22,000	27,000
Net interest on net defined benefit liability	(27,000)	(47,000)
	<u>(5,000)</u>	<u>(20,000)</u>

14. TAXATION

	2017 £	2016 £
CORPORATION TAX		
Current tax on profits for the year	939,861	880,677
	<u>939,861</u>	<u>880,677</u>
TOTAL CURRENT TAX	<u>939,861</u>	<u>880,677</u>
DEFERRED TAX		
Origination and reversal of timing differences	15,056	(30,070)
TOTAL DEFERRED TAX	<u>15,056</u>	<u>(30,070)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>954,917</u>	<u>850,607</u>

LIGNACITE LIMITED

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

14. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>4,995,825</u>	<u>4,232,220</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	949,207	846,444
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27,631	5,881
Other timing differences leading to an increase (decrease) in taxation	-	(1,718)
Change in tax rate	<u>(21,921)</u>	<u>-</u>
TOTAL TAX CHARGE FOR THE YEAR	<u><u>954,917</u></u>	<u><u>850,607</u></u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges.

LIGNACITE LIMITED

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

15. DIVIDENDS

	2017	2016
	£	£
Dividends	235,745	112,265
	235,745	112,265

16. INTANGIBLE ASSETS

	Goodwill
	£
COST	
At 1 January 2017	30,000
At 31 December 2017	30,000
AMORTISATION	
At 1 January 2017	30,000
At 31 December 2017	30,000
NET BOOK VALUE	
At 31 December 2017	-
At 31 December 2016	-

LIGNACITE LIMITED

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

17. TANGIBLE FIXED ASSETS

	Freehold property £	Plant & machinery £	Fixtures & fittings £	Assets under construction £	Total £
COST OR VALUATION					
At 1 January 2017	6,148,647	10,840,654	348,516	-	17,337,817
Additions	887,899	459,930	4,495	1,871,683	3,224,007
Disposals	-	(17,450)	-	-	(17,450)
At 31 December 2017	<u>7,036,546</u>	<u>11,283,134</u>	<u>353,011</u>	<u>1,871,683</u>	<u>20,544,374</u>
DEPRECIATION					
At 1 January 2017	180,855	6,647,171	289,662	-	7,117,688
Charge for the year on owned assets	65,895	589,340	21,090	-	676,325
Disposals	-	(2,630)	-	-	(2,630)
At 31 December 2017	<u>246,750</u>	<u>7,233,881</u>	<u>310,752</u>	<u>-</u>	<u>7,791,383</u>
NET BOOK VALUE					
At 31 December 2017	<u>6,789,796</u>	<u>4,049,253</u>	<u>42,259</u>	<u>1,871,683</u>	<u>12,752,991</u>
At 31 December 2016	<u>5,967,792</u>	<u>4,193,483</u>	<u>58,854</u>	<u>-</u>	<u>10,220,129</u>

Cost or valuation at 31 December 2017 is as follows:

	Land and buildings £
At cost	1,586,546
At valuation: April 2014	5,450,000
	<u>7,036,546</u>

LIGNACITE LIMITED

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

17. TANGIBLE FIXED ASSETS (CONTINUED)

The freehold land and buildings were revalued in April 2014, on a vacant possession basis for existing use. The valuation was carried out by Savills (UK) Limited, Chartered Surveyors, who are external to the company. The directors are not aware of any material change in the value and therefore the valuation has not been updated.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2017 £	2016 £
Cost	7,264,526	6,376,628
Accumulated depreciation	(1,978,827)	(1,840,168)
NET BOOK VALUE	5,285,699	4,536,460

18. INVESTMENT PROPERTY

	Freehold investment property £
VALUATION	
At 1 January 2017	236,250
AT 31 DECEMBER 2017	236,250

The 2017 valuations were made by the directors, based on a valuation provided by Savills (UK) Limited in April 2014, on an open market value for existing use basis.

LIGNACITE LIMITED

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

19. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST OR VALUATION	
At 1 January 2017	<u>5</u>
At 31 December 2017	<u>5</u>
NET BOOK VALUE	
At 31 December 2017	<u>5</u>
At 31 December 2016	<u>5</u>

20. STOCKS

	2017 £	2016 £
Raw materials and consumables	724,699	455,936
Finished goods and goods for resale	1,079,108	1,378,744
	<u>1,803,807</u>	<u>1,834,680</u>

Stock recognised in cost of sales during the year as an expense was **£12,540,021** (2016: £11,464,493).

LIGNACITE LIMITED

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

21. DEBTORS

	2017 £	2016 £
DUE AFTER MORE THAN ONE YEAR		
Other debtors	269,900	275,000
	269,900	275,000
	2017 £	2016 £
DUE WITHIN ONE YEAR		
Trade debtors	4,604,910	6,077,338
Other debtors	81,636	45,174
Prepayments and accrued income	83,523	137,051
	4,770,069	6,259,563

22. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank and in hand	2,387,802	2,159,997
Less: bank overdrafts	-	(45,831)
	2,387,802	2,114,166

LIGNACITE LIMITED

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

23. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	-	45,831
Bank loans	-	211,855
Trade creditors	1,678,688	1,501,924
Corporation tax	504,327	882,396
Other taxation and social security	389,450	817,341
Other creditors	184,168	172,248
Accruals and deferred income	840,451	686,896
	<u>3,597,084</u>	<u>4,318,491</u>

Included within creditors: amounts falling due within one year are secured liabilities totalling £nil (2016 - £257,686). The company's bank loans and overdraft were secured by a debenture comprising fixed and floating charges over all assets and undertakings of Lignacite Limited.

24. CREDITORS: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	-	1,922,356
	<u>-</u>	<u>1,922,356</u>

Secured loans

Included within creditors: amounts falling due after more than one year are secured liabilities totalling £nil (2016 - £1,922,356). The company's bank loans and overdraft were secured by a debenture comprising fixed and floating charges over all assets and undertakings of Lignacite Limited.

LIGNACITE LIMITED

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

25. LOANS

Analysis of the maturity of loans is given below:

	2017 £	2016 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	-	211,855
	<u>-</u>	<u>211,855</u>
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	-	897,032
	<u>-</u>	<u>897,032</u>
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	-	1,025,324
	<u>-</u>	<u>1,025,324</u>
	<u>-</u>	<u>2,134,211</u>

26. FINANCIAL INSTRUMENTS

	2017 £	2016 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	2,387,801	2,159,997
Financial assets that are debt instruments measured at amortised cost	4,890,608	6,397,512
	<u>7,278,409</u>	<u>8,557,509</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(2,637,975)	(4,470,443)
	<u>(2,637,975)</u>	<u>(4,470,443)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals.

LIGNACITE LIMITED

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

27. DEFERRED TAXATION

	2017 £	2016 £
At beginning of year	(535,722)	(565,791)
Charged to the Income Statement	(15,056)	30,069
AT END OF YEAR	(550,778)	(535,722)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(551,312)	(536,285)
Tax losses carried forward	534	563
	(550,778)	(535,722)

28. RESERVES

Share premium account

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

Other reserves

The fair value reserve represents the cumulative value of revaluations of listed investments to fair value, net of deferred tax. The amounts debited or credited to this reserve are transfers from the profit and loss account. Deferred tax is provided for on these fair value adjustments at the standard rate of corporation tax.

Profit & loss account

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

LIGNACITE LIMITED

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

29. SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
97,302 (2016 - 93,558) Ordinary shares shares of £1 each	<u>97,302</u>	<u>93,558</u>

During the year the company issued 3,744 ordinary shares with a total nominal value of £1 for consideration of £3,744.

30. PENSION COMMITMENTS

The company operates a total of four pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds.

Director schemes

There are two money purchase pension schemes for the benefit of the company's directors, although not all of the directors are members of these schemes.

The pension cost charge for the year amounted to £64,520 (2016 - £63,338).

Contributions totalling £Nil (2016 - £Nil) were payable to the funds at the balance sheet date and are included in creditors.

Employee schemes

Lignacite Limited (1996) Pension Scheme

Until 1 January 1996, the scheme was a wholly defined benefit scheme at which date it became a multiple benefit structured scheme.

The scheme comprises two sections:

- the defined benefit section which provides benefits based on a member's salary and length of service; and
- the defined contribution section which provides benefits based on what a member's accumulated fund value will purchase at retirement.

The Company operates a Defined Benefit Pension Scheme.

Members who joined the scheme prior to 1 January 1996 have retained benefits in the scheme on a defined benefit basis, accruing 1/60 of the average of the best three consecutive pensionable salaries in the last ten years (or over the period if less than three years) before 31 October 2003 for every year of service prior to 1 January 1996.

The scheme provides benefits payable to entrants since 1 January 1996 that are directly determined by the value of contributions which are paid in respect of each of these members. The scheme was closed to new entrants with effect from 1 February 2002.

On 31 October 2003, all members of the scheme that joined post 1 January 1996 had their accumulated benefits transferred to the Lignacite Limited (2003) Pension Scheme. From this date, all normal

LIGNACITE LIMITED

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

30. PENSION COMMITMENTS (CONTINUED)

contributions paid by the members and the principal employer were paid into the Lignacite Limited (2003) Pension Scheme.

The valuation recognised at 31 December 2017 has been based on the most recent actuarial valuation which was carried out on that date by a qualified actuary.

Reconciliation of present value of plan liabilities:

	2017 £	2016 £
RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES		
At the beginning of the year	194,850	458,120
Current service cost	(1,000)	-
Interest income	5,000	20,000
Actuarial gains/losses	192,000	(249,000)
Contributions	(100,000)	(100,000)
Benefits paid	-	160,000
Deferred tax on actuarial gain/loss	(19,400)	65,730
AT THE END OF THE YEAR	273,450	354,850
	2017 £	2016 £
Fair value of plan assets	1,000	160,000
Present value of plan liabilities	(273,450)	(354,850)
NET PENSION SCHEME LIABILITY	(272,450)	(194,850)

LIGNACITE LIMITED

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

30. PENSION COMMITMENTS (CONTINUED)

The amounts recognised in the Income Statement are as follows:

	2017 £	2016 £
Interest on obligation	(27,000)	(47,000)
Interest income on plan assets	22,000	27,000
TOTAL	(5,000)	(20,000)
Actual return on scheme assets	79,000	84,000
	(79,000)	(84,000)

Reconciliation of fair value of plan liabilities were as follows:

	2017 £	2016 £
Opening defined benefit obligation	1,036,000	1,341,000
Current service cost	(1,000)	-
Interest cost	27,000	47,000
Actuarial gains and (losses)	249,000	(192,000)
Benefits paid	-	(160,000)
CLOSING DEFINED BENEFIT OBLIGATION	1,311,000	1,036,000

Reconciliation of fair value of plan assets were as follows:

	2017 £	2016 £
Opening fair value of scheme assets	792,350	768,350
Interest income on plan assets	22,000	27,000
Actuarial gains and (losses)	57,000	57,000
Current service cost	(1,000)	-
Contributions by employer	100,000	100,000
Benefits paid	-	(160,000)
	970,350	792,350

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £474,000 loss (2016 - £282,000 loss).

LIGNACITE LIMITED

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

30. PENSION COMMITMENTS (CONTINUED)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2017	2016
	%	%
Discount rate	2.6	2.6

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2017	2016	2015	2014	2013
	£	£	£	£	£
Defined benefit obligation	(1,311,000)	(1,036,000)	(1,341,000)	(1,341,000)	(925,000)
Scheme assets	970,350	792,350	768,350	708,350	595,350
DEFICIT	<u>(340,650)</u>	<u>(243,650)</u>	<u>(572,650)</u>	<u>(632,650)</u>	<u>(329,650)</u>
Experience adjustments on scheme liabilities	249,000	(370,000)	10,000	(196,000)	(155,000)
Experience adjustments on scheme assets	<u>57,000</u>	<u>57,000</u>	<u>(37,000)</u>	<u>10,000</u>	<u>61,000</u>

Lignacite Limited (2003) Pension Scheme

This scheme commenced on 1 November 2003 and is an earmarked money purchase scheme for the company's employees. As stated previously, all members of the 1996 pension scheme transferred the defined contribution element of their funds to this scheme on the aforementioned date. The pension cost charge for the year amounted to **£64,499 (2016 - £84,073)**.

LIGNACITE LIMITED

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

31. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	512,231	510,671
Later than 1 year and not later than 5 years	679,498	945,618
	<u>1,191,729</u>	<u>1,456,289</u>

32. TRANSACTIONS WITH DIRECTORS

As at 1 January 2017, the overdrawn balance on the director's loan accounts of M A Pearson was **£15,914**. During the year, £3,000 was advanced to the director and dividends of £3,860 were credited to the loan account.

As at 31 December 2017, the balance outstanding on the director's loan account was **£15,054** and is included within other debtors. No interest is charged on this loan.

As at 1 January 2017, the overdrawn balance on the director's loan accounts of G A J de Lotbiniere was **£275,000**. During the year £125,000 was advanced to the director, and repayments of £130,100 were made. Interest of **£8,945** was charged on this loan at 2.25% above base rate.

As at 31 December 2017, the balance outstanding on the director's loan account was **£269,900** and is included within other debtors due after more than one year.

33. RELATED PARTY TRANSACTIONS

The total remuneration for key management personnel for the year totalled **£1,411,504** (2016 - **£1,219,281**).

34. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Lignacite (North London) Ltd	Ordinary	100 %	Dormant company
Lignacite (Brandon) Ltd	Ordinary	100 %	Dormant company