



Group Strategic Report,  
Report of the Directors and  
Consolidated Financial Statements  
for the Year Ended 31 December 2018  
for  
Concord Limited

**Contents of the Consolidated Financial Statements**  
**for the Year Ended 31 December 2018**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Group Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Report of the Independent Auditors</b>	<b>6</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>8</b>
<b>Consolidated Balance Sheet</b>	<b>9</b>
<b>Company Balance Sheet</b>	<b>10</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>11</b>
<b>Company Statement of Changes in Equity</b>	<b>12</b>
<b>Consolidated Cash Flow Statement</b>	<b>13</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>14</b>

**Company Information**  
**for the Year Ended 31 December 2018**

**DIRECTORS:** S P Murphy  
Stratagem Group Limited

**SECRETARY:** S P Murphy

**REGISTERED OFFICE:** Cardiff House  
Cardiff Road  
Barry  
Vale of Glamorgan  
CF63 2AW

**REGISTERED NUMBER:** 00775443 (England and Wales)

**AUDITORS:** Mander Duffill  
Chartered Accountants & Statutory Auditor  
The Old Post Office  
41-43 Market Place  
Chippenham  
Wiltshire  
SN15 3HR

**Group Strategic Report**  
**for the Year Ended 31 December 2018**

The directors present their strategic report of the company and the group for the year ended 31 December 2018.

**REVIEW OF BUSINESS**

The results for the year and financial position of the group and company are as shown in the annexed financial statements.

2018 has continued the improving trend of the previous two years with growing demand giving a 19% increase in group sales to £18,109,770 (2017: £15,328,908) and a profit before pension-related charges up to £680,124 (2017: £471,702).

It is a welcome result and reflects the hard work put in by management at our iron and steel foundries and the success they've had in attracting work from new markets sectors as well as ensuring we continue to satisfy the needs of existing customers. As always in manufacturing businesses though there have been some difficulties without which the result would have been better still and we refer to them below.

At our steel foundry, HI Quality Steel Castings Limited, traditional mining markets performed very well and we have greatly expanded our reach into new markets such as valves and pumps with the quality of the service we offer. Demand continues to be strong in all sectors. The outturn would have been better still but for the weakness of sterling against US\$ towards the year end.

The year started well for BAS Castings Limited, our iron foundry, but the severe weather conditions in February (the "Beast from the East") resulted in significant damage to the furnace coolers requiring major repairs; we lost two weeks' production. In the second half our major raw materials supplier pulled out of the market and the lower quality material available to us from other sources has caused metallurgical issues with scrap rates much higher than is usual in our business. We are addressing this with changes to production methods which will have the effect of depressing sales in the first quarter of 2019 but at the time of this report we have started to see the benefits of our remedial actions.

As a group we have also invested more in equipment this year - £466,000 - than at any time in the last 20 years, partly to replace plant which is wearing out and partly to give us additional capabilities. The benefits of this expenditure will be seen in 2019 and later.

The group's FRS 102 pension liability has once again reduced owing to a combination of investment performance and a slight lessening in the life-expectancy increases seen in previous years. Accordingly the balance sheet position is c. £1.1 million lower at £10,965,000 (2017: £12,092,800) or c. £700,000 lower net of deferred tax. The profit and loss pensions charge however is significantly higher than previous years because of the effect of the recent Lloyds Bank GMP equalisation case. Even though this is still the subject of appeal we have taken the prudent view that our scheme will have to fall in line with the Court's current judgement and an additional charge of over £851,200 is reflected in these accounts.

Cash outflows arising from the group's defined benefit pension scheme though are the major issue facing the group. The triennial pension scheme valuation as at 5 April 2018 has now concluded and we can confirm that we have agreed a new Schedule of Contributions with the scheme Trustee which will in the short term greatly reduce the cash outflows to the scheme and thereby enable us to invest further in much needed replacement and new plant and equipment.

**PRINCIPAL RISKS AND UNCERTAINTIES**

We manufacture high integrity steel and iron castings for all engineering markets but are focussed on low volume specialist OEMs rather than, for example, the automotive market; extraction industries, power generation, marine, coal mining and offshore, are particular niches for us. We have had some success in broadening our markets and demand has been strong for some time now but there is no guarantee that these conditions will continue.

While we have little direct connection to Brexit-affected customers or suppliers, the atmosphere of uncertainty surrounding this issue may well affect their views on investment more generally and could therefore lead to a slow-down in demand.

**Group Strategic Report**  
**for the Year Ended 31 December 2018**

**KEY PERFORMANCE INDICATORS**

The principal indicators to measure the performance at a Group and subsidiary level in the past twelve months are order intake and cash generation. There are very detailed key performance indicators at an operating level and these are monitored accordingly.

**DEVELOPMENT**

We have invested a significant amount in 2018 to ensure we can meet the demands of existing and new customers; one example is a FARO arm which gives us the capability to measure castings digitally which is much quicker and more accurate than traditional methods. Additionally we have received planning permission to extend the existing iron foundry building and this will give us a lot more productive space.

Our steel foundry has also successfully commissioned an upgraded heat treatment system which has improved our technical offering.

**YEAR END POSITION**

Our expectation for 2019 overall is for sales growth although this may not lead to increased profitability because of some cost pressures arising from renewal of energy contracts in particular. Demand though remains strong and we are well placed to make the best of any opportunities that arise and believe that the investments we are making will improve the long-term profitability of the businesses.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'S P Murphy', is written over a light blue horizontal line.

S P Murphy - Director

10 June 2019

**Report of the Directors**  
**for the Year Ended 31 December 2018**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2018.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2018.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

S P Murphy  
Stratagem Group Limited

**FINANCIAL INSTRUMENTS**

The group uses various financial instruments including loans, cash, equity, capital and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group operations.

The directors review and agree policies for managing the financial risks. The existence of these financial instruments exposes the group to a number of financial risks which are described in more detail below.

**Market risk**

Market risk encompasses three types of risk being price risk, interest rate risk and currency risk.

**Price risk**

The group operates in a competitive market. If the group does not continue to compete effectively by developing its product range and responding to activities in the market it could lose customers and its results, cash flow and financial conditions could adversely be affected.

**Interest rate risk**

The group's overdraft and cash at bank incur interest cost or income at market rates and the group is therefore exposed to interest rate risk. The group is also exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The group's policy is to obtain the most favourable interest rates available for its borrowings. The group does not use and derivative instruments to reduce its economic exposure to changes in interest rates.

**Foreign currency risk**

The group makes purchases from suppliers from a number of suppliers whose invoices are denominated in currencies other than sterling. The most frequently used currencies other than sterling are the Euro and the US Dollar with separate bank accounts being maintained for each with any currency fluctuation being transferred to the profit and loss.

**Credit risk**

The group's principal current assets are stock and trade debtors. The credit risk associated with cash deposits is limited as the accounts are held with major UK high street banks only. The principal credit risk arises from trade debtors and the group manages closely its exposure to bad debts.

**Liquidity risk**

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The group policy throughout the year has been to hold cash balances in readily accessible cash deposits.

**Report of the Directors**  
**for the Year Ended 31 December 2018**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**



S P Murphy - Director

10 June 2019

**Report of the Independent Auditors to the Members of**  
**Concord Limited**

**Opinion**

We have audited the financial statements of Concord Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group'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 in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



**Report of the Independent Auditors to the Members of**  
**Concord Limited**

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

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

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

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

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**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 a Report of the Auditors 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**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 a Report of the Auditors 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.



Richard Mander FCA (Senior Statutory Auditor)  
for and on behalf of Mander Duffill  
Chartered Accountants & Statutory Auditor  
The Old Post Office  
41-43 Market Place  
Chippenham  
Wiltshire  
SN15 3HR

10 June 2019

**Consolidated Statement of Comprehensive Income**  
**for the Year Ended 31 December 2018**

	Notes	31.12.18 £	£	31.12.17 £	£
<b>TURNOVER</b>			18,109,770		15,328,908
Cost of sales			13,823,502		11,751,883
<b>GROSS PROFIT</b>			4,286,268		3,577,025
Administrative expenses			3,570,503		3,211,675
			715,765		365,350
Other operating income			-		132,603
<b>OPERATING PROFIT</b>	4		715,765		497,953
Pension - Past service cost	5		851,200		-
			(135,435)		497,953
Interest payable and similar expenses	6	35,641		26,251	
Other finance costs	22	773,000		825,000	
			808,641		851,251
<b>LOSS BEFORE TAXATION</b>			(944,076)		(353,298)
Tax on loss	7		(128,940)		(44,549)
<b>LOSS FOR THE FINANCIAL YEAR</b>			(815,136)		(308,749)
<b>OTHER COMPREHENSIVE INCOME</b>					
Actuarial gains			2,002,000		3,106,000
Deferred tax movement			(340,340)		(590,140)
Effect due to change in tax rate			(241,856)		(148,938)
Income tax relating to components of other comprehensive income			-		-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>			1,419,804		2,366,922
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			604,668		2,058,173
Profit attributable to: Owners of the parent			(815,136)		(308,749)
Total comprehensive income attributable to: Owners of the parent			604,668		2,058,173

The notes form part of these financial statements

**Consolidated Balance Sheet**  
**31 December 2018**

	Notes	31.12.18 £	£	31.12.17 £	£
<b>FIXED ASSETS</b>					
Intangible assets	9		-		-
Tangible assets	10		2,058,176		1,731,322
Investments	11		-		-
			<u>2,058,176</u>		<u>1,731,322</u>
<b>CURRENT ASSETS</b>					
Stocks	12	1,937,351		1,725,109	
Debtors	13	4,119,199		4,073,982	
Cash in hand		281,625		330,082	
		<u>6,338,175</u>		<u>6,129,173</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	14	5,208,293		4,643,808	
<b>NET CURRENT ASSETS</b>			<u>1,129,882</u>		<u>1,485,365</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			3,188,058		3,216,687
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		(60,921)		-
<b>PENSION LIABILITY</b>	22		(9,100,950)		(9,795,168)
<b>NET LIABILITIES</b>			<u>(5,973,813)</u>		<u>(6,578,481)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		1,969,055		1,969,055
Share premium	21		14,611,202		14,611,202
Revaluation reserve	21		659,215		659,215
Other reserves	21		878,665		878,665
Retained earnings	21		(24,091,950)		(24,696,618)
<b>SHAREHOLDERS' FUNDS</b>			<u>(5,973,813)</u>		<u>(6,578,481)</u>

The financial statements were approved by the Board of Directors on 10 June 2019 and were signed on its behalf by:



S P Murphy - Director

**Company Balance Sheet**  
**31 December 2018**

	Notes	31.12.18 £	31.12.17 £
<b>FIXED ASSETS</b>			
Intangible assets	9	-	-
Tangible assets	10	1,391,200	1,406,000
Investments	11	865,000	865,000
		<u>2,256,200</u>	<u>2,271,000</u>
<b>CURRENT ASSETS</b>			
Debtors	13	53,910	22,513
Cash at bank and in hand		3,457	8,947
		<u>57,367</u>	<u>31,460</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	707,647	697,773
<b>NET CURRENT LIABILITIES</b>		<u>(650,280)</u>	<u>(666,313)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,605,920	1,604,687
<b>PENSION LIABILITY</b>	22	<u>(9,100,950)</u>	<u>(9,795,168)</u>
<b>NET LIABILITIES</b>		<u><u>(7,495,030)</u></u>	<u><u>(8,190,481)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	1,969,055	1,969,055
Share premium	21	14,611,202	14,611,202
Revaluation reserve	21	659,215	659,215
Other reserves	21	878,665	878,665
Retained earnings	21	<u>(25,613,167)</u>	<u>(26,308,618)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>(7,495,030)</u></u>	<u><u>(8,190,481)</u></u>
Company's (loss)/profit for the financial year		<u><u>(724,353)</u></u>	<u><u>1,799,232</u></u>

The financial statements were approved by the Board of Directors on 10 June 2019 and were signed on its behalf by:

  
.....  
S P Murphy - Director

**Consolidated Statement of Changes in Equity**  
**for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Share premium £
<b>Balance at 1 January 2017</b>	1,969,055	(26,754,791)	14,611,202
<b>Changes in equity</b>			
Total comprehensive income	-	2,058,173	-
<b>Balance at 31 December 2017</b>	<u>1,969,055</u>	<u>(24,696,618)</u>	<u>14,611,202</u>
<b>Changes in equity</b>			
Total comprehensive income	-	604,668	-
<b>Balance at 31 December 2018</b>	<u>1,969,055</u>	<u>(24,091,950)</u>	<u>14,611,202</u>
	Revaluation reserve £	Other reserves £	Total equity £
<b>Balance at 1 January 2017</b>	659,215	878,665	(8,636,654)
<b>Changes in equity</b>			
Total comprehensive income	-	-	2,058,173
<b>Balance at 31 December 2017</b>	<u>659,215</u>	<u>878,665</u>	<u>(6,578,481)</u>
<b>Changes in equity</b>			
Total comprehensive income	-	-	604,668
<b>Balance at 31 December 2018</b>	<u>659,215</u>	<u>878,665</u>	<u>(5,973,813)</u>

**Company Statement of Changes in Equity**  
**for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Share premium £
<b>Balance at 1 January 2017</b>	1,969,055	(30,474,772)	14,611,202
<b>Changes in equity</b>			
Total comprehensive income	-	4,166,154	-
<b>Balance at 31 December 2017</b>	<u>1,969,055</u>	<u>(26,308,618)</u>	<u>14,611,202</u>
<b>Changes in equity</b>			
Total comprehensive income	-	695,451	-
<b>Balance at 31 December 2018</b>	<u>1,969,055</u>	<u>(25,613,167)</u>	<u>14,611,202</u>
	Revaluation reserve £	Other reserves £	Total equity £
<b>Balance at 1 January 2017</b>	659,215	878,665	(12,356,635)
<b>Changes in equity</b>			
Total comprehensive income	-	-	4,166,154
<b>Balance at 31 December 2017</b>	<u>659,215</u>	<u>878,665</u>	<u>(8,190,481)</u>
<b>Changes in equity</b>			
Total comprehensive income	-	-	695,451
<b>Balance at 31 December 2018</b>	<u>659,215</u>	<u>878,665</u>	<u>(7,495,030)</u>

**Consolidated Cash Flow Statement**  
**for the Year Ended 31 December 2018**

	Notes	31.12.18 £	31.12.17 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	752,863	(521,866)
Interest paid		<u>(35,641)</u>	<u>(26,251)</u>
Net cash from operating activities		<u>717,222</u>	<u>(548,117)</u>
 <b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(466,431)	(231,752)
Sale of tangible fixed assets		<u>500</u>	<u>3,000</u>
Net cash from investing activities		<u>(465,931)</u>	<u>(228,752)</u>
 <b>Increase/(decrease) in cash and cash equivalents</b>		<u>251,291</u>	<u>(776,869)</u>
<b>Cash and cash equivalents at beginning of year</b>	27	<u>(618,061)</u>	<u>158,808</u>
 <b>Cash and cash equivalents at end of year</b>	27	<u><u>(366,770)</u></u>	<u><u>(618,061)</u></u>

**Notes to the Consolidated Financial Statements**  
**for the Year Ended 31 December 2018**

**1. STATUTORY INFORMATION**

Concord Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Financial Reporting Standard 102 - reduced disclosure exemptions**

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

- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate to conform to group accounting policies.

Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over 2 years from the date of acquisition. The results of the companies acquired or disposed are included in the profit and loss account after or up to the date that control passes respectively.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.



**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**2. ACCOUNTING POLICIES - continued**

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

**Trade and other receivables** The allowance for doubtful debts involves significant management judgement and management review individual receivables based upon individual creditworthiness, current economic trends and historical bad debts on a portfolio basis.

**Stock provisions** - Significant estimates are involved in the determination of stock provisions. Management exercise significant judgement in determining whether costs of stock items can be recovered. A provision is made where a loss can be reliably estimated.

**Freehold property** - Freehold property are stated at fair value based upon an independent third party valuer who have the experience in the location and category of property valued. The valuer uses observable market prices adjusted as necessary for any difference in the future, location or condition of the asset.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable. Turnover is reduced for customer returns, rebates or other similar allowances and is net of value added taxes. Turnover includes revenue earned from the sale of goods.

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction can be measured reliably.

Specifically, revenue from the sale of goods is primarily recognised upon delivery of goods to customers.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 1% on cost
Plant and machinery	- 15% on cost
Motor vehicles	- 25% on reducing balance
Office equipment	- 33% on cost, 25% on cost and 20% on cost

Freehold property is stated at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**2. ACCOUNTING POLICIES - continued**

**Stocks**

Stock and work in progress are valued at the lower of cost and selling price less costs to complete and sell. Cost is determined on a first-in first-out basis. The cost of work in progress comprises materials, direct labour and attributable production overheads.

**Financial instruments**

The group uses various financial instruments including loans, cash, equity, capital and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for group operations.

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arise in the normal course of the group's business. These risks are limited by the company's financial management policies and practices described below.

**Market risk**

Market risk encompasses three types of risk being price risk, interest rate risk and currency risk.

**Price risk**

The group operates in a competitive market. If the group does not continue to compete effectively by developing its product range and responding to activities in the market it could lose customers and its results, cash flow and financial conditions could adversely be affected.

**Interest rate risk**

The group's overdraft and cash at bank incur interest cost or income at market rates and the group is therefore exposed to interest rate risk. The group is also exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The group's policy is to obtain the most favourable interest rates available for its borrowings. The group does not use and derivative instruments to reduce its economic exposure to changes in interest rates.

**Foreign currency risk**

The group makes purchases from suppliers from a number of suppliers whose invoices are denominated in currencies other than sterling. The most frequently used currencies other than sterling are the Euro and the US Dollar.

**Credit risk**

The group's principal assets are cash deposits and trade debtors. The credit risk associated with cash deposits is limited as the accounts are held with major UK high street banks only. The principal credit risk arises therefore from its trade debtors and the group manages closely its exposure to bad debts by strong credit control, credit checks for new accounts.

**Liquidity risk**

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The group policy throughout the year has been to hold cash balances in readily accessible cash deposits.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Pension costs and other post-retirement benefits**

The Company is the principal employer in respect of a defined benefit pension scheme. The Scheme was closed to new entrants in 2000 and the last of the active members left the Scheme in August 2002. The amount charged to operating profit in respect of this Scheme is the current service cost, and gains and losses on settlements and curtailments and is included as part of staff costs. Past service costs are included in the profit and loss account if the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits within interest payable. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses.

The defined benefit scheme is funded with the assets of the Scheme held separately from the Company in separate trustee administered funds. Pension Scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of deferred tax, is presented separately after other net assets on the face of the balance sheet.

**Derivative financial instruments**

Derivatives, including forward foreign exchange contracts are not basic financial instruments.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account unless they are included in a hedging arrangement.

**3. EMPLOYEES AND DIRECTORS**

	31.12.18	31.12.17
	£	£
Wages and salaries	5,649,098	5,118,048
Social security costs	519,051	454,855
Other pension costs	229,810	178,028
	<u>6,397,959</u>	<u>5,750,931</u>

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

	31.12.18	31.12.17
Works	153	139
Administration	41	39
	<u>194</u>	<u>178</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 194 (2017 - 178).

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018**

**3. EMPLOYEES AND DIRECTORS - continued**

	31.12.18	31.12.17
	£	£
Directors' remuneration	82,719	95,789
Directors' pension contributions to money purchase schemes	<u>4,875</u>	<u>4,875</u>

**4. OPERATING PROFIT**

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

	31.12.18	31.12.17
	£	£
Depreciation - owned assets	138,233	112,364
Loss on disposal of fixed assets	844	1,474
Goodwill amortisation	-	(132,603)
Auditors' remuneration	33,000	32,000
Auditors' remuneration for non audit work	5,250	5,000
Foreign exchange differences	99,594	(11,826)
Property leasing costs	73,000	64,000
Other operating leases	<u>65,374</u>	<u>53,084</u>

**5. EXCEPTIONAL ITEMS**

	31.12.18	31.12.17
	£	£
Pension - Past service cost	<u>(851,200)</u>	<u>-</u>

**GMP Equalisation**

On 26 October 2018, the High Court ruled for the Lloyds court case that GMP equalisation is required. In particular, the Lloyds case judgement confirmed that all pension schemes with GMP benefits accrued between 1990 and 1997 are required to equalise for the effects of unequal GMPs (across males and females) for the period since 17 May 1990.

There is an expectation from auditors that the impact of GMP equalisation will be recognised in the next set of accounts following the judgement date. As such, we have included an allowance for the impact of GMP equalisation in the 31 December 2018 FRS 102 disclosures.

As part of the 5 April 2018 triennial valuation, the Trustees loaded the Scheme's liabilities by 2% to reflect an approximate allowance for the expected impact of GMP equalisation. For FRS 102 purposes, the additional liabilities associated with GMP equalisation have been treated as a plan amendment at 31 December 2018, which is treated as a past service cost and is recognised immediately in the profit and loss.

The plan amendment was measured at 31 December 2018 on materiality grounds; rather than measuring the cost at the judgement date, 26 October 2018. The effect was a past service cost recognised of £851,200.

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.18	31.12.17
	£	£
Bank interest	<u>35,641</u>	<u>26,251</u>

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018**

**7. TAXATION**

**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	31.12.18 £	31.12.17 £
Deferred tax	(128,940)	(44,549)
Tax on loss	<u>(128,940)</u>	<u>(44,549)</u>

**Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.18 £	31.12.17 £
Loss before tax	<u>(944,076)</u>	<u>(353,298)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	(179,374)	(68,010)
Effects of:		
Expenses not deductible for tax purposes	291	12,038
Income not taxable for tax purposes	-	(25,795)
Capital allowances in excess of depreciation	-	(25,050)
Depreciation in excess of capital allowances	12,985	-
Losses carried forward	-	44,254
Deferred tax movement	(128,940)	(44,549)
Movement in short term timing differences	<u>166,098</u>	<u>62,563</u>
Total tax credit	<u>(128,940)</u>	<u>(44,549)</u>

**Tax effects relating to effects of other comprehensive income**

	31.12.18		31.12.17		
	Gross £	Tax £	Gross £	Tax £	Net £
Actuarial gains	2,002,000	-	2,002,000	-	2,002,000
Deferred tax movement	(340,340)	-	(340,340)	-	(340,340)
Effect due to change in tax rate	(241,856)	-	(241,856)	-	(241,856)
	<u>1,419,804</u>	<u>-</u>	<u>1,419,804</u>	<u>-</u>	<u>1,419,804</u>
	Gross £	Tax £	Gross £	Tax £	Net £
Actuarial gains	3,106,000	-	3,106,000	-	3,106,000
Deferred tax movement	(590,140)	-	(590,140)	-	(590,140)
Effect due to change in tax rate	(148,938)	-	(148,938)	-	(148,938)
	<u>2,366,922</u>	<u>-</u>	<u>2,366,922</u>	<u>-</u>	<u>2,366,922</u>

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018**

**7. TAXATION - continued**

Factors that may affect the groups future tax charge include the use of brought forward tax losses and changes in tax legislation and tax rates. The corporation tax rate is currently 19%. From 1 April 2020 the main rate of corporation tax will be 17%.

At the year end, the company had £2,016,292 of unused tax losses (2017: £2,016,292) for which no deferred tax asset is provided for.

**8. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

**9. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill £</b>
<b>COST</b>	
At 1 January 2018	
and 31 December 2018	<u>(265,603)</u>
<b>AMORTISATION</b>	
At 1 January 2018	
and 31 December 2018	<u>(265,603)</u>
<b>NET BOOK VALUE</b>	
At 31 December 2018	<u><u>-</u></u>
At 31 December 2017	<u><u>-</u></u>

**10. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold property £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Office equipment £</b>	<b>Totals £</b>
<b>COST OR VALUATION</b>					
At 1 January 2018	1,480,000	1,142,817	26,645	69,166	2,718,628
Additions	-	439,767	-	26,664	466,431
Disposals	-	(14,177)	(19,745)	-	(33,922)
At 31 December 2018	<u>1,480,000</u>	<u>1,568,407</u>	<u>6,900</u>	<u>95,830</u>	<u>3,151,137</u>
<b>DEPRECIATION</b>					
At 1 January 2018	94,800	801,870	21,470	69,166	987,306
Charge for year	14,800	120,253	1,294	1,886	138,233
Eliminated on disposal	-	(12,833)	(19,745)	-	(32,578)
At 31 December 2018	<u>109,600</u>	<u>909,290</u>	<u>3,019</u>	<u>71,052</u>	<u>1,092,961</u>
<b>NET BOOK VALUE</b>					
At 31 December 2018	<u><u>1,370,400</u></u>	<u><u>659,117</u></u>	<u><u>3,881</u></u>	<u><u>24,778</u></u>	<u><u>2,058,176</u></u>
At 31 December 2017	<u><u>1,385,200</u></u>	<u><u>340,947</u></u>	<u><u>5,175</u></u>	<u><u>-</u></u>	<u><u>1,731,322</u></u>

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018**

**10. TANGIBLE FIXED ASSETS - continued**

**Group**

Cost or valuation at 31 December 2018 is represented by:

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
Valuation in 2016	490,750	-	-	-	490,750
Cost	989,250	1,568,407	6,900	95,830	2,660,387
	<u>1,480,000</u>	<u>1,568,407</u>	<u>6,900</u>	<u>95,830</u>	<u>3,151,137</u>

Freehold property valued on an open market basis on 31 December 2018 by S P Murphy (Director)..

**Company**

	Freehold property £	Motor vehicles £	Office equipment £	Totals £
<b>COST OR VALUATION</b>				
At 1 January 2018	1,480,000	19,745	1,662	1,501,407
Disposals	-	(19,745)	-	(19,745)
At 31 December 2018	<u>1,480,000</u>	<u>-</u>	<u>1,662</u>	<u>1,481,662</u>
<b>DEPRECIATION</b>				
At 1 January 2018	74,000	19,745	1,662	95,407
Charge for year	14,800	-	-	14,800
Eliminated on disposal	-	(19,745)	-	(19,745)
At 31 December 2018	<u>88,800</u>	<u>-</u>	<u>1,662</u>	<u>90,462</u>
<b>NET BOOK VALUE</b>				
At 31 December 2018	<u>1,391,200</u>	<u>-</u>	<u>-</u>	<u>1,391,200</u>
At 31 December 2017	<u>1,406,000</u>	<u>-</u>	<u>-</u>	<u>1,406,000</u>

The company's properties are subject to a second charge, after the company's bankers Barclays Bank Plc, in favour of the pension trustee.

Cost or valuation at 31 December 2018 is represented by:

	Freehold property £	Office equipment £	Totals £
Valuation in 2016	490,750	-	490,750
Cost	989,250	1,662	990,912
	<u>1,480,000</u>	<u>1,662</u>	<u>1,481,662</u>

Freehold property was valued on an open market value basis on 31 December 2018 by S P Murphy (Director).

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**11. FIXED ASSET INVESTMENTS**

**Company**

Shares in  
group  
undertakings  
£

**COST**

At 1 January 2018  
and 31 December 2018

6,165,000

**PROVISIONS**

At 1 January 2018  
and 31 December 2018

5,300,000

**NET BOOK VALUE**

At 31 December 2018

865,000

At 31 December 2017

865,000

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**North Midlands Castings Limited**

Registered office: Concord Limited, Cardiff House, Cardiff Road, Barry, Vale Of Glamorgan, CF63 2AW.

Nature of business: Holding company

	%
Class of shares:	holding
Ordinary	100.00

**BAS Castings Limited**

Registered office: Wharf Road Industrial Estate, Pinxton, Nottinghamshire, NG16 6LE

Nature of business: Castings

	%
Class of shares:	holding
Ordinary	100.00

**H.I. Quality Steel Castings Limited**

Registered office: Trinity Works, Foundry Street Whittington Moor, Chesterfield, Derbyshire, S41 9AX

Nature of business: Castings

	%
Class of shares:	holding
Ordinary	100.00



**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018**

**12. STOCKS**

	<b>Group</b>	
	31.12.18	31.12.17
	£	£
Raw materials	866,084	825,237
Work-in-progress	1,071,267	899,872
	<u>1,937,351</u>	<u>1,725,109</u>

The company purchases, produces and sells these items to their customers. The stock recognised in cost of sales during the year as an expense was £6,633,957 (2017: £5,532,138).

**13. DEBTORS**

	<b>Group</b>	<b>Company</b>	
	31.12.18	31.12.17	31.12.18
	£	£	£
Amounts falling due within one year:			
Trade debtors	3,517,682	3,499,958	50,873
Other debtors	150,088	150,702	-
Deferred tax asset	36,532	-	-
Prepayments	197,617	149,837	3,037
	<u>3,901,919</u>	<u>3,800,497</u>	<u>53,910</u>

Amounts falling due after more than one year:

Deferred tax asset	<u>217,280</u>	<u>273,485</u>	<u>-</u>	<u>-</u>
--------------------	----------------	----------------	----------	----------

Aggregate amounts	<u>4,119,199</u>	<u>4,073,982</u>	<u>53,910</u>	<u>22,513</u>
-------------------	------------------	------------------	---------------	---------------

Deferred tax asset

	<b>Group</b>		<b>Company</b>	
	31.12.18	31.12.17	31.12.18	31.12.17
	£	£	£	£
Accelerated capital allowances	(19,906)	(32,435)	-	-
Tax losses carried forward	273,718	305,920	-	-
	<u>253,812</u>	<u>273,485</u>	<u>-</u>	<u>-</u>

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.12.18	31.12.17	31.12.18	31.12.17
	£	£	£	£
Bank loans and overdrafts (see note 16)	648,395	948,143	-	-
Trade creditors	3,211,351	2,339,406	60,088	24,201
Amounts owed to group undertakings	129,593	123,000	150,109	144,934
Social security and other taxes	275,710	339,606	21,439	55,527
Other creditors	584,064	560,031	476,011	472,761
Derivative financial instruments at fair value	47,640	20,010	-	-
Accruals and deferred income	311,540	313,612	-	350
	<u>5,208,293</u>	<u>4,643,808</u>	<u>707,647</u>	<u>697,773</u>

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>	
	31.12.18	31.12.17
	£	£
Accruals and deferred income	<u>60,921</u>	<u>-</u>

**16. LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>	
	31.12.18	31.12.17
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>648,395</u>	<u>948,143</u>

**17. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

<b>Group</b>		<b>Non-cancellable operating leases</b>	
		31.12.18	31.12.17
		£	£
Within one year		124,175	123,821
Between one and five years		206,050	302,084
		<u>330,225</u>	<u>425,905</u>

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**18. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>	
	31.12.18	31.12.17
	£	£
Bank overdraft	648,395	948,143

These debts are secured by a first legal charge in favour of Barclays Bank Plc.

Invoice discounting arrangements included within bank overdrafts are secured upon the debts to which they relate.

The properties held within the company and group are subject to a first legal charge in favour of Barclays Bank Plc and a second legal charge in favour of the Trustee of the Concord Plc retirement benefit scheme.

**19. DERIVATIVE FINANCIAL INSTRUMENTS**

The company enters into forward foreign currency contracts to mitigate the exchange risk for certain foreign currency receivables. At 31 December 2018 the outstanding contracts all mature within 6 months of the year end. The company is committed to buy \$1,151,000 and pay fixed sterling amounts of £856,523 (2017: \$396,000; £294,197).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are forward exchange rates for GBP:USD. The fair value losses of the foreign currency contracts are £47,640 (2017: £2,592 gain).

**20. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.18	31.12.17
			£	£
19,690,554	Ordinary	10p	1,969,055	1,969,055

All shares rank pari passu.

**21. RESERVES**

<b>Group</b>	Retained earnings	Share premium	Revaluation reserve	Other reserves	Totals
	£	£	£	£	£
At 1 January 2018	(24,696,618)	14,611,202	659,215	878,665	(8,547,536)
Deficit for the year	(815,136)	-	-	-	(815,136)
Pension - deferred tax	(582,196)	-	-	-	(582,196)
Actuarial gain/(loss)	2,002,000	-	-	-	2,002,000
At 31 December 2018	(24,091,950)	14,611,202	659,215	878,665	(7,942,868)

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018**

**21. RESERVES - continued**

**Company**

	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1 January 2018	(26,308,618)	14,611,202	659,215	878,665	(10,159,536)
Deficit for the year	(724,353)	-	-	-	(724,353)
Pension - deferred tax	(582,196)	-	-	-	(582,196)
Actuarial gain/(loss)	2,002,000	-	-	-	2,002,000
At 31 December 2018	<u>(25,613,167)</u>	<u>14,611,202</u>	<u>659,215</u>	<u>878,665</u>	<u>(9,464,085)</u>

Retained earnings - includes all current and prior period retained profits and losses.

Share premium - includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve - Includes revaluations of property, plant and equipment less attributable deferred tax on gains.

**22. EMPLOYEE BENEFIT OBLIGATIONS**

The Concord Plc Retirement Benefits Scheme ("the Scheme") was closed to new members with effect from 1 April 2000, and to future benefit accrual from the same date. All remaining active members left the scheme at 1 September 2002 so the Scheme is left with only deferred members and pensioners. The Scheme is funded with the assets being held by the Trustees separately from the assets of the company. Pension costs are determined in accordance with advice of a professionally qualified actuary.

An actuarial valuation of the Concord Plc Retirement Benefit Scheme was carried out as at 5 April 2018 by Willis Towers Watson using the projected unit method under the assumptions prescribed in Financial Reporting Standards 102. The company pension contributions for the year were £750,000 (2017: £500,000). The outstanding deficit in the funding of the Scheme at the year end was £10,965,000 (2017: £12,094,000). No additional contributions were paid in respect of Scheme expenses.

Following the conclusion of the 2018 actuarial valuation referred to in the above paragraph a new schedule of contributions came into effect on 1 April 2019. Contributions are now calculated on a partially contingent basis to allow the Group flexibility to finance investment in new and replacement plant. Accordingly there will be a minimum annual contribution based on cash flow forecasts with the possibility of increasing the amount of annual contribution to £700,000 if actual cash flows allow. The minimum annual contributions for 2019, 2020 and 2021 for example have been set at £401,000, £248,000 and £188,000 respectively. This reduction is very welcome but minimum annual contributions increase significantly in later years as the changes are predicated on improved profitability arising from the investment in plant generating much better cash flows than previously.

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**22. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Present value of funded obligations	(43,372,000)	(46,248,800)
Fair value of plan assets	32,407,000	34,156,000
	<u>(10,965,000)</u>	<u>(12,092,800)</u>
Present value of unfunded obligations	-	-
Deficit	(10,965,000)	(12,092,800)
Deferred tax asset	1,864,050	2,297,632
Net liability	<u><u>(9,100,950)</u></u>	<u><u>(9,795,168)</u></u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Current service cost	456,000	433,000
Net interest from net defined benefit asset/liability	317,000	392,000
Past service cost	851,200	-
	<u>1,624,200</u>	<u>825,000</u>
Actual return on plan assets	<u><u>(1,228,000)</u></u>	<u><u>2,060,000</u></u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Opening defined benefit obligation	46,248,800	47,849,800
Interest cost	1,232,000	1,205,000
Pension Past service cost	851,200	-
Actuarial losses/(gains)	(3,689,000)	(1,426,000)
Benefits paid	(1,271,000)	(1,380,000)
	<u>43,372,000</u>	<u>46,248,800</u>

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**22. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Opening fair value of scheme assets	34,156,000	32,976,000
Contributions by employer	750,000	500,000
Scheme expenses incurred	(456,000)	(433,000)
Expected return	915,000	813,000
Actuarial gains/(losses)	(1,687,000)	1,680,000
Benefits paid	(1,271,000)	(1,380,000)
	<u>32,407,000</u>	<u>34,156,000</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Actuarial gains/(losses)	2,002,000	3,100,000
	<u>2,002,000</u>	<u>3,100,000</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Equities	17,169,000	19,260,000
Bonds	15,127,000	14,704,000
Cash & NCA	111,000	192,000
	<u>32,407,000</u>	<u>34,156,000</u>

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

	31.12.18	31.12.17
Discount rate	2.90%	2.70%
Future pension increases	3.80%	3.80%
Inflation rate (RPI)	3.80%	3.20%
Inflation rate (CPI)	2.30%	2.20%
Rate of increase for deferred pensioners	2.30%	2.20%

**23. ULTIMATE PARENT COMPANY**

The immediate parent company of this company is Stratagem Group Limited, a company registered in England and Wales.

The ultimate parent undertaking is Ryder Court Investments Limited. Ryder Court Investments Limited is the largest group for which consolidated financial statements are drawn up of which the company is a member. The financial statements are available from Cardiff House, Cardiff Road, Barry, Vale of Glamorgan. CF63 2AW.

**Notes to the Consolidated Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**24. CONTINGENT LIABILITIES**

The company is involved in the Value Added Tax Group election under s29 of the Value Added Tax Act 1983. It has therefore guaranteed to pay any tax due by other members of the group. At 31 December 2018 tax owed by the group was £93,379 (31 December 2017: £148,105 owed by the group).

The company together with other group undertakings are also part of an agreement with Barclays Bank Plc, whereby balances with the bank are subject to joint and several guarantees. The bank has a fixed and floating charge over all of the company's assets.

**25. ULTIMATE CONTROLLING PARTY**

The controlling party is S P Murphy.

**26. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.18	31.12.17
	£	£
Loss before taxation	(944,076)	(353,298)
Depreciation charges	138,233	112,365
Loss on disposal of fixed assets	844	1,474
Goodwill amortisation	-	(132,603)
Diff between pension charges & cash cont	(750,000)	(500,000)
Pension - past service cost	851,200	-
Finance costs	808,641	851,251
	<u>104,842</u>	<u>(20,811)</u>
Increase in stocks	(212,242)	(345,387)
Increase in trade and other debtors	(64,890)	(888,941)
Increase in trade and other creditors	925,153	733,273
	<u>752,863</u>	<u>(521,866)</u>

**27. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2018**

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	281,625	330,082
Bank overdrafts	(648,395)	(948,143)
	<u>(366,770)</u>	<u>(618,061)</u>

**Year ended 31 December 2017**

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	330,082	793,687
Bank overdrafts	(948,143)	(634,879)
	<u>(618,061)</u>	<u>158,808</u>