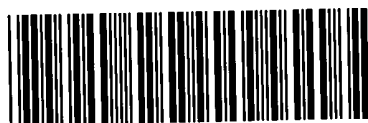


Black Cat Fireworks Limited
Annual report and financial statements
for the year ended 31 December 2016

Company registered no: 1900841

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Black Cat Fireworks Limited

Contents

Board of directors and advisers	1
Strategic Report	2
Directors' report	5
Independent auditors' report	7
Income statement for the year ended 31 December 2016	8
Statement of other comprehensive income for the year ended 31 December 2016	9
Statement of financial position as at 31 December 2016	10
Statement of changes in equity for the year ended 31 December 2016	11
Notes to the financial statements	12

Black Cat Fireworks Limited

Board of directors and advisers

Officers and professional advisors

Directors

U S Brettschneider
R S Lister
N A Cottrell

Company number

1900841

Registered office

Centenary House
Centenary Way
Salford
Manchester
M50 1RF

Bankers

HSBC Bank plc
2 Cloth Hall Street
Huddersfield
West Yorkshire
HD1 2ES

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Solicitors

Lupton Fawcett Lee & Priestley
Yorkshire House
Greek Street
Leeds
LS1 5SX

Actuaries

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Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Principal activities

The company's principal activity is that of importing, marketing and distribution of consumer products, predominantly fireworks and other seasonal products, although the directors are exploring opportunities to widen the product base.

Results and dividends

The company's profit for the financial year is £266,000 (2015: £80,000).

The directors do not recommend the payment of a dividend (2015: £nil).

Review of business and future developments

The results for the year ended 31 December 2016 are summarised as follows:

	£'000
Operating profit	375
Net finance costs	(107)
Profit on ordinary activities before taxation	268
Taxation on profit on ordinary activities	(2)
Profit for the financial year	266

Turnover increased by £37,000 compared to the previous year, which derives from slight increases in selling volumes across many customers.

Margins deteriorated slightly, compared to the previous year, due to adverse exchange rates.

Total operating costs have been well controlled, with a slight decrease year on year.

The company continues to focus on meeting customer expectations, by maintaining competitiveness and impeccable service levels. Developing strong customer relationships remains high priority within the business and the 2017 order book is in line with expectations.

The company has access to sufficient funding to meet its working capital requirements and other committed payments.

The position of the company at the year-end is as expected.

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2016 (continued)

Key Performance Indicators

The performance of Black Cat Fireworks Limited is measured on revenue, gross margin, and overhead cost control. The company also have a number of non-financial measures, such as level of product innovation, employee well-being, customer satisfaction and market share.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, price risk, credit risk, liquidity risk and interest rate cash flow risk. In conjunction with its parent group, Li & Fung Limited, the company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The company has a policy of maintaining 100 per cent of its debt (2015: 100 per cent) at a variable rate. Given the size and nature of operations, the company's policy is to operate with 100 per cent of its debt being repayable within one year. At the year-end, 100 per cent (2015: 100 per cent) of debt was repayable within one year. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the company's finance department.

The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

There is an element of uncertainty resulting from Brexit, the impact of which is still difficult to predict. The directors are continuing to monitor the situation.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the Board of directors and such approval is limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. Deposits with financial institutions are held in low risk current accounts

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2016 (continued)

Interest rate cash flow risk

The company has both interest bearing assets, in form of cash balances and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The company utilises bank overdraft and group finance that is designed to ensure the company has sufficient available funds for its operations and its required level of working capital. Floating rate interest rates apply to the bank overdraft whilst the group financing is interest free. The directors reassess these in the context of longer term interest rate trends.

Principal risks and uncertainties

The key business risk and uncertainty affecting the company relates to competition from the UK and overseas. The company seeks to minimise this risk through continued investment in marketing and a proactive approach to customer service.

On behalf of the Board



N A Cottrell

Director

29 September 2017

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2016

The directors present their annual report and audited financial statements of the company for the year ended 31 December 2016.

General information

The company is a private limited company incorporated and domiciled in the UK.

Future developments, risk management and dividends

Future developments, risk management and dividends are covered in the Strategic Report.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are given below:

U S Brettschneider
R S Lister
N A Cottrell

The company maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through various briefing groups.

Policy and practice on payment of creditors

The company supports the CBI's Prompt Payment Code, and endeavours to ensure all payments are made within agreed credit terms.

Political and charitable donations

The company made no political donations or UK charity donations during the year (2015: £nil).

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Disclosure of information to auditors

In so far as each director is aware, there is no relevant audit information of which the company's auditors, PricewaterhouseCoopers LLP, are unaware and each director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

On behalf of the Board



N A Cottrell

Director

29 September 2017

Independent auditors' report to the members of Black Cat Fireworks Limited

Report on the financial statements

Our opinion

In our opinion, Black Cat Fireworks Limited's financial statements (the "financial statements"):

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

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Income statement for the year then ended;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
29 September 2017

Black Cat Fireworks Limited

Income statement for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	2	7,020	6,983
Cost of sales		(3,145)	(3,057)
Gross profit		3,875	3,926
Distribution costs		(2,228)	(2,324)
Administrative expenses		(1,322)	(1,464)
Other operating income		50	46
Operating profit		375	184
Finance income	5	287	271
Finance cost	6	(394)	(372)
Profit before taxation	7	268	83
Tax on profit	8	(2)	(3)
Profit for the financial year		266	80

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year		266	80
Other comprehensive expense:			
Actuarial loss on pension scheme for the year	20	(2,152)	(437)
Other comprehensive expense for the year		(2,152)	(437)
Total comprehensive expense for the year		(1,886)	(357)

All activities are in respect of continuing operations.

Black Cat Fireworks Limited

Statement of financial position as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed Assets			
Intangible assets	9	8	-
Property, plant and equipment	10	388	305
Investments	11	1,035	1,035
		1,431	1,340
Current assets			
Stocks	12	611	945
Debtors	13	2,546	1,383
Cash at bank and in hand		2,419	3,137
		5,576	5,465
Creditors: amounts falling due within one year	14	(1,289)	(1,312)
Net current assets		4,287	4,153
Total assets less current liabilities		5,718	5,493
Net assets excluding pension deficit		5,718	5,493
Pension deficit	20	(5,078)	(2,972)
Net assets including pension deficit		640	2,521
Capital and reserves			
Called up share capital	17	15,500	15,500
Capital redemption reserve		14	9
Profit and loss account		(14,874)	(12,988)
Total shareholders' funds		640	2,521

These financial statements were approved by the Board of directors on 29 September 2017 and were signed on its behalf by:



N A Cottrell
Director

Black Cat Fireworks Limited
Registered number 1900841

Black Cat Fireworks Limited

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 January 2015	15,500	-	(12,631)	2,869
Profit for the financial year	-	-	80	80
Other comprehensive expense for the year	-	-	(437)	(437)
Total comprehensive expenses for the year	-	-	(357)	(357)
Arising on share based compensation	-	9	-	9
Total transactions recognised directly in equity	-	9	-	9
Balance as at 1 January 2016	15,500	9	(12,988)	2,521
Profit for the financial year	-	-	266	266
Other comprehensive expense for the year	-	-	(2,152)	(2,152)
Total comprehensive expenses for the year	-	-	(1,886)	(1,886)
Arising on share based compensation	-	5	-	5
Total transactions recognised directly in equity	-	5	-	5
Balance as at 31 December 2016	15,500	14	(14,874)	640

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016

1. Principal accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006, as applicable to companies adopting FRS101. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows)
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - (iii) 16 (statement of compliance with all IFRS),
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of the group.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Critical accounting estimates and assumptions

Sale and returns policy

All goods/fireworks are sold on a sale or return basis for major customers. At year end the accruals for goods still to be returned and credited are based on either an actuals basis, ie, all goods have been receipted back from the customer, or on an estimated basis. The estimation is calculated using Epos sales data supplied by the customer and reconciled against the amount of goods sent out from the company to the customer. The difference is the expected amount of goods to be returned. Historic accruals show that the level of estimation is usually accurate with little deviation.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal accounting policies (continued)

Critical accounting estimates and assumptions (continued)

Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

Pension obligations

The Company operates a defined benefit pension scheme for which actuarial valuations are carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 is assessed in accordance with Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on information supplied to the actuary, supplemented by discussions between the actuary and management. The principal assumptions used to measure schemes' liabilities, sensitivities to changes in assumptions and future funding obligations are set out in note 20 of the financial statements.

New standards, amendments and IFRIC interpretations

- A number of new standards, amendments to standards and interpretations are effective for the period ended 31 December 2016. These are currently considered either not relevant or to have no material impact on the Company.
- IFRS 9 "Financial Instruments" and IFRS 15 "Revenue Recognition" are new standards that are mandatory for accounting periods beginning on or after 1 January 2018, but the Company has not adopted them early. These are currently not expected to have a material impact on the Company.
- IFRS 16 "Leases" was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. We expect that the majority of the Company's lease commitments will be brought onto the Balance Sheet together with corresponding right of use assets. This is likely to impact on the timing of the recognition of lease costs within the Income Statement. The Company has not yet completed its assessment of the impact of the standard on the Company's results and financial position.

Group financial statements

The financial statements contain information about Black Cat Fireworks Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 (for non-EEA parents) of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of its parent, Li & Fung Limited, a company incorporated in Bermuda.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Golden Horn NV and is included in the consolidated financial statements of Li & Fung Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) 'Cash flow statements'. The company is also exempt under the terms of IAS24 'Related party disclosures' from disclosing related party transactions with entities that are part of the Li & Fung Limited group or investees of Li & Fung Limited group.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the date of the transactions. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal accounting policies (continued)

Intangible assets

Computer software and system development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads.

System developments costs recognised as assets are amortised over their estimated useful lives of 3 to 10 years and is charged through administrative expenses in the income statement.

Property, plant and equipment

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Fixtures, fittings and office equipment	15 – 33.3
Plant and machinery	10 – 50
Motor vehicles	20

Depreciation is charged within administrative expenses in the income statement.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average price method. Provision is made where necessary for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes Value Added Tax and trade discounts, represents the invoiced value of goods and services supplied, recognised under a sale or return agreement.

Other operating income

Other operating income represents rental income for storage cabinets and on site properties and is recognised in the period in which the income is earned.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal 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, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs – defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 19 represents contributions payable by the company to the fund.

Pension costs – defined benefit

The company operates a defined benefit pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Share based compensation

Certain employees of the company along with other group employees have been granted awards over the shares in Li & Fung Limited. The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution, on a straight line basis over the vesting period. On vesting of the shares, the company is charged the intrinsic value of the shares by Li & Fung Limited. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

Investments

Fixed asset investments are included at cost less any provision for impairment.

2. Turnover

The turnover for the year is generated entirely from the company's principal activity and arises from sales made in the United Kingdom.

3. Directors' emoluments

None of the directors received emoluments in respect of services to the company (2015: none).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

4. Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2016 Number	2015 Number
Selling and distribution	20	21
Administration	3	4
	23	25

The aggregate payroll costs for those persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	904	936
Social security costs	72	82
Other pension costs (note 20)	24	22
	1,000	1,040

5. Finance income

	2016 £'000	2015 £'000
Expected returns related to pensions (note 20)	287	271

6. Finance cost

	2016 £'000	2015 £'000
On bank overdrafts	(7)	(19)
Net interest costs relating to pensions (note 20)	(387)	(353)
	(394)	(372)

7. Profit before taxation

	2016 £'000	2015 £'000
Profit before taxation is stated after charging:		
Amortisation (note 9)	2	-
Depreciation (note 10)	165	252
Services provided by the company's auditors		
- Fees payable for audit	27	26
- Fees payable for other services – tax compliance	8	9
Operating lease charges:		
- plant and machinery	24	22
- other	120	120

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Tax on profit

	2016 £'000	2015 £'000
Current tax:		
UK Corporation tax on profit of the year at 20% (2015: 20.25%)	2	3
Total current tax	2	3
Total tax in the income statement	2	3

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit before taxation	268	83
Profit before taxation multiplied by standard rate in the UK of 20% (2015: 20.25%)	54	17
Effects of:		
Exempt amounts	4	5
Amounts not recognised	(56)	(19)
Total tax in the income statement	2	3

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 to reduce the main rate to 17% from 1 April 2020. This change was fully enacted in September 2016. A change to reduce the UK corporation tax rate to 19% from 1 April 2017 had already been substantively enacted on 26 October 2015. Therefore deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The company has unrecognised tax losses amounting to approximately £6,453,000 (2015: £6,835,000) to carry forward against future taxable profits from the same trade (note 15).

9. Intangible Assets

	Software £'000
Cost	
At 1 January 2016	-
Reclassified from Property, plant and equipment	71
Additions	10
At 31 December 2016	81
Accumulated Depreciation	
At 1 January 2016	-
Reclassified from Property, plant and equipment	71
Charge for the year	2
At 31 December 2016	73
Net book value	
At 31 December 2016	8
At 31 December 2015	-

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10. Property, plant and equipment

	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost				
At 1 January 2016	1,260	16	164	1,440
Additions	237	-	11	248
Reclassification to intangible assets	-	-	(71)	(71)
At 31 December 2016	1,497	16	104	1,617
Accumulated Depreciation				
At 1 January 2016	973	12	150	1,135
Charge for the year	158	1	6	165
Reclassification to intangible assets	-	-	(71)	(71)
At 31 December 2016	1,131	13	85	1,229
Net book value				
At 31 December 2016	366	3	19	388
At 31 December 2015	287	4	14	305

11. Investments

	£'000
Cost and net book value at 1 January 2016 and 31 December 2016	1,035

The investment relates to 100% of the issued ordinary share capital of Comet Fireworks GmbH, a company incorporated in Germany. Their principal activity is the distribution of pyrotechnics.

Comet Fireworks GmbH's registered address is Uberseering 22, 27580 Bremerhaven, Germany.

12. Stocks

	2016 £'000	2015 £'000
Finished goods and goods for resale	611	945

13. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade debtors	2,320	1,050
Prepayments and accrued income	226	333
	2,546	1,383

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

14. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	82	148
Amounts owed to group undertakings	6	3
Taxation and social security costs	872	817
Group relief payable	2	3
Accruals and deferred income	327	341
	1,289	1,312

There is a guarantee in favour of HMRC for £240,000 as security over the VAT liability.

15. Deferred tax

The company has not recognised a deferred tax asset (2015: £nil) as there are significant doubts as to whether the company is able to utilise deferred tax of £2,140,000 (2015: £2,070,000) in future years. The deferred taxation asset position is analysed as follows:

	Amount unrecognised		Amount recognised	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	(312)	(305)	-	-
Unutilised losses carried forward	(1,097)	(1,230)	-	-
Asset relating to pension liability	(731)	(535)	-	-
	(2,140)	(2,070)	-	-

16. Share based payments

On 21 May 2015 certain employees of the company along with other group employees were granted awards over 33,400 shares in Li & Fung Limited. The awards vest in three tranches from December 2015 to December 2019. Awards for 6,700 (2015: 6,800) shares vested in relation to employees of Black Cat Fireworks Limited in December 2016 (2015: December 2015). The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution, on a straight line basis over the vesting period. During the year, £7,000 (2015: £12,000) has been charged through the income statement in respect of share awards granted in 2015. On vesting of the shares, the company is charged the intrinsic value of the shares by Li & Fung Limited. This amount, £2,000 (2015: £3,000) is treated as a reduction of the capital contribution and is recognised directly in equity. The net amount recognised through equity in the year is therefore £5,000 (2015: £9,000).

3,624 (2015: none) share awards were exercised in the year at a price of HK\$ 5.0632 (2015: £nil) per share.

Vested share awards outstanding at the end of the year are as follows:

	2016 Share awards Number	2015 Share awards Number
Grant- vest		
2015-2015	3,176	6,800
2015-2016	6,700	n/a

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

17. Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
15,500,000 (2015: 15,500,000) ordinary shares of £1 each	15,500	15,500

18. Capital and other commitments

At 31 December 2016 the company had total commitments under non-cancellable operating leases, expiring as follows:

	Other		Land and buildings	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	24	22	230	120
Within two to five years	3	19	172	360
	27	41	402	480

The company had no capital commitments contracted but not provided for as at 31 December 2016 (2015: £nil).

19. Contingent liabilities

The company is party to a group overdraft arrangement and the maximum liability relating to this is the company's cash holding within the pool overdraft. At 31 December 2016 the contingent liability amounted to £0 (2015: £nil).

20. Pension deficit

Defined contribution scheme

The company made contributions amounting to £24,000 (2015: £22,000) to a defined contribution scheme in the year. At the year-end a pension creditor existed amounting to £4,000 (2015: £4,000).

Defined benefit scheme

The company makes deficit contributions to the Standard Fireworks 1992 Pension Scheme which is a defined benefit scheme and which is closed to future accruals.

The total net pension cost of the Standard Fireworks 1992 defined benefit scheme was £nil (2015: £nil). The cost is assessed in accordance with the advice of Deloitte, consulting actuaries.

The latest actuarial valuation of the scheme was performed as at 31 March 2013 using the projected unit method. A more up to date valuation as at 31 March 2016 is being prepared, but has not yet been finalised. The principal assumptions adopted in the valuation as at 31 March 2013 were that, over the long term, the investment return would be 5% per annum to retirement and 3.5% per annum thereafter, the rate of RPI increase would be 3.5% per annum and the rate of pension increase would be 3.3%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £7,948,000 and the actuarial value of these assets was sufficient to cover 76% of the benefits that had accrued to members. The company is making deficit contributions to the Scheme under an agreed recovery plan.

Up until the year ended 31 December 2013 the company accounted for its pension scheme in accordance with FRS 17 Retirement Benefits. Following the adoption of FRS 101, with an effective date of conversion of 1 January 2014, the company now accounts for its pension scheme in accordance with IAS 19.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

20. Pension deficit (continued)

The pension liability detailed below is calculated using the value of the scheme assets as at 31 December 2016 and using scheme liabilities that have been updated from those at 31 March 2014 by a qualified actuary using the projected unit method.

Assumptions used for the valuation	2016	2015
Discount rate: pre and post retirement	2.6%	3.5%
Inflation assumption	3.4%	3.0%
Rate of increase of salaries	n/a	n/a
Rate of increase of pensions in payment	3.4%	2.9%

The mortality assumptions used were as follows:

	2016 Years	2015 Years
Longevity at age 65 for current pensioners		
- Men	21	21
- Women	23	23
Longevity at age 65 for future pensioners		
- Men	23	23
- Women	25	25

The assets in the scheme and their expected rates of return were:

	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000
Equities	3,175	2,834
Bonds	4,977	4,708
Other	941	722
Total market value of assets (below)	9,093	8,264
Present value of scheme liabilities (below)	(14,171)	(11,236)
Net pension deficit	(5,078)	(2,972)

No related deferred tax asset has been recognised given the uncertainty over its realisation, in accordance with the company accounting policy (note 15).

Reconciliation of fair value of scheme assets

	2016 £'000	2015 £'000
1 January	8,264	8,318
Expected return on scheme assets less expenses paid	656	(130)
Interest income	287	271
Contributions paid by employer	227	160
Benefits paid	(341)	(355)
31 December (above)	9,093	8,264

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

20. Pension deficit (continued)

The actual return on scheme assets was a gain of £829,000 (2015: £141,000).

Reconciliation of present value of scheme liabilities

	2016 £'000	2015 £'000
1 January	(11,236)	(10,865)
Interest cost	(387)	(353)
Benefits paid from plan assets	341	355
Actuarial loss on liabilities	(2,889)	(373)
31 December (above)	(14,171)	(11,236)

Analysis of the amount charged to profit and loss is as follows:

	2016 £'000	2015 £'000
Profit and loss account		
Other finance (expenditure)/income		
Expected return on pension scheme assets (note 5)	287	271
Interest on pension scheme liabilities (note 6)	(387)	(353)
Total	(100)	(82)

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £4,270,000 (2015: £2,118,000).

Amounts for current and previous years:

	2016	2015	2014	2013	2012
Experience adjustments on plan assets:					
Amount (£'000)	738	(63)	404	351	315
Percentage of Scheme assets	8.1%	0.8%	4.9%	4.5%	4.3%
Experience adjustments on plan liabilities:					
Amount (£'000)	92	(901)	-	(274)	-
Percentage of the present value of the Scheme liabilities	0.6%	8.0%	0%	2.9%	0%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	(2,152)	(437)	(858)	(60)	(202)
Percentage of the present value of the Scheme liabilities	(15.2%)	(3.9%)	(9.3%)	(0.6%)	(2.2%)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

21. Related party transactions

The company has taken advantage of the exemption allowed by IAS24 'Related Party Transactions', not to disclose any transactions with entities that are included in the consolidated financial statements of Li & Fung Limited.

22. Ultimate parent undertaking and controlling party

The directors regard Golden Horn NV, a company incorporated in the Netherlands Antilles, as the company's immediate parent company and Li & Fung Limited, a company incorporated in Bermuda, as the ultimate parent company and controlling party. Li & Fung Limited is registered on the Hong Kong stock exchange and copies of the financial statements may be obtained from its website (www.lifunggroup.com) or from the principal place of business, 11th floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. Li & Fung Limited heads the smallest and largest group to consolidate these financial statements.