Registered number: 02908579

# NAYLOR INDUSTRIES PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 28 FEBRUARY 2018

## NAYLOR INDUSTRIES PLC

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Edward Naylor<br>David Fletcher<br>Bridget Warner-Adsetts<br>Ruth Moran |
| **Company secretary** | Ruth Moran |
| **Registered number** | 02908579 |
| **Registered office** | Clough Green<br>Cawthorne<br>Barnsley<br>South Yorkshire<br>S75 4AD |
| **Independent auditor** | Grant Thornton UK LLP<br>Chartered Accountants & Statutory Auditor<br>No 1 Whitehall Riverside<br>Leeds<br>West Yorkshire<br>LS1 4BN |
| **Bankers** | HSBC Bank Plc<br>South Yorkshire Commercial Centre<br>4 Europa Court<br>Sheffield<br>South Yorkshire<br>S9 1XE |
| **Solicitors** | DLA Piper LLP<br>Fountain Precinct<br>Balm Green<br>Sheffield<br>S1 1RZ |

NAYLOR INDUSTRIES PLC

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# GROUP STRATEGIC REPORT
# FOR THE YEAR ENDED 28 FEBRUARY 2018

## Introduction

The last three years have been eventful for the Naylor Group:

During 2015/16, the company's Concrete Products subsidiary relocated to a new freehold site in Barugh Green.

2016/17 saw the relocation of our Specialist Plastics business (the former Amco Plastics) to larger and more modern premises at Wombwell; these premises now also house injection moulding and fabrications operations as well as our Group's Head Office. In addition, our Concrete division acquired White's (Concrete) Ltd, providing it with a significant expansion in product range.

2017/18 saw the commissioning of a new large diameter Twin Wall Drain factory on the Cawthorne site including acquisition of a new extrusion line which manufactures sizes up to 1050mm

All these development projects resulted in considerable operational disruption; however, they have laid the foundations for future growth.

We also took the decision during 2017/18 to dispose of our Hyde-based Polymer processing business. The business- formerly Raglan Plastics- had been a financially constrained raw material supplier to our Specialist Plastics business which had been acquired some 2 years earlier; the business still needed considerable capital investment and was not felt to be a core activity, hence the decision to exit.

With a greater focus on product manufacture and a reduced level of disruption as a result of our having completed the major capital investment programme, the Board are looking forward to a period of growth and increased profitability.

### Business review and financial and other key performance indicators

| | **2018** | 2017 |
|---|---|---|
| Turnover growth (continuing activities) | **(3)%** | 6% |
| Gross profit (continuing activities) | **24%** | 27% |
| Operating profit before Exceptional items (continuing activities) | **£1,791,243** | £3,361,080 |
| Turnover per employee | **£149,667** | £155,077 |
| Stock | **£6,722,281** | £7,772,841 |

Following a long sequence of years of record-breaking turnover, the group recognised the need to increase capacity, initiating a transformational capital investment programme which has seen £14.8m invested over a 3 year period; of particular note is the new £5m large diameter plastic pipe factory which was opened by HRH the Duke of Kent in October 2017.

In parallel, two of our businesses relocated onto newly purchased and much larger freehold sites at Barugh Green and Wombwell and our Concrete division acquired White's Concrete, a complementary precast concrete business.

Not surprisingly, this development work led to a stalling in turnover growth in 2017/18, although despite its distractions, sales were maintained at close to last year's levels. Market conditions were broadly stable, with the exception of those faced by our Gardenware and Scottish businesses who encountered some adversity

The financial year ending 28 February 2018 also included disposal of a non-core business - the Hyde based materials processor Naylor Polymers. Despite the financial impact of this and the operational disruption caused by the relocations, equipment moves and the building and commissioning of the new factory, the directors were pleased that the business continued to generate an Operating Profit before exceptional items. The directors are aiming at generating an Operating Margin of 10% when the new capacity and machinery has fully bedded down.

Turnover per employee held up well during the year.

Stock levels decreased 14%, reflecting better working capital management as well as a number of our businesses destocking as a result of their reappraisal of market conditions.

NAYLOR DRAINAGE LTD
The business has recently concluded a significant two year capital investment programme:

2016/17 saw the relocation of our Specialist Plastics factory at Wath (the former Amco Plastics) to larger and more modern premises at Wombwell

2016/17 and 2017/18 saw considerable investment in a new large diameter Twin Wall Drain factory on the Cawthorne site including the acquisition of a new large diameter line which was commissioned in late 2017; this line manufactures sizes up to 1050mm diameter.

Both projects resulted in considerable operational disruption but have resulted in a significant increase in capacity to facilitate further growth.

During 2017/18, the business also disposed of its Hyde based Polymer processing business.

With the capital investment programme concluded and new product launches showing promising early signs, the Directors consider the prospects for this business to be encouraging.

NAYLOR CONCRETE PRODUCTS LTD
This business has also had an eventful period. During 2015/16, the company relocated its activities from a leasehold site at Ossett to a new and much larger freehold site in Barugh Green, South Yorkshire. Following this, during 2016/17, the company acquired the business of White's (Concrete) Ltd, a manufacturer of tanks, panels and retaining walls from Dewsbury based flooring manufacturer Longley Concrete Ltd, and relocated it onto the Barugh Green site.

2017/18 has been a less disrupted year operationally, although trading conditions have been challenging, particularly in the agricultural sector, which is an important source of business for White's.

Whilst overall, 2017/18 was a rather disappointing year, prospects for 2018/19 look more promising: the order intake from the agricultural sector has improved and an exercise to streamline manufacturing in late 2017/18 is starting to bear fruit.

**Principal risks and uncertainties**

The management of the business and the execution of the group's strategy are subject to a number of risks. The key risks and uncertainties affecting the business are considered to relate to domestic competitors, raw material prices, exchange and interest rate movements and credit and liquidity risk. Whilst the group currently does not have material exposures in any of the areas listed above, risk identification and management is regularly the subject of board discussion and appropriate action is taken as and when required.

The group mitigates its risk of competition by the purchase of best available equipment and ensuring that its working practices result in cost-effective production output. Raw material prices are material to the Group's plastic operations and the Group monitors these closely and seeks to pass increases on to customers wherever incurred.

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The group does not have material exposures in any of the areas identified above, however, it does enter into foreign exchange contracts to manage exposure to fluctuations in foreign exchange rates.

The group's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments can be analysed as follows:

**Foreign currency risk**
The group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. Historically, the group has both bought and sold goods internationally. Whilst the main foreign currency in which the group operates continues to be the Euro, the group's exposure to the Dollar continues as a result of the ongoing sourcing of garden pots from South East Asia. The group has continued to forward buy Euros to mitigate currency risk although during the financial year, the amount of Dollar purchases diminished and consequently the group decided to stop forward purchasing Dollars as the resultant risks were felt to be acceptable.

**Credit risk**
The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The group also has credit insurance in place which covers much of the outstanding debtor balance. The amounts presented in the Balance sheet are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

Credit risk on liquid funds is minimised by depositing these funds with HSBC; the group has a net liability to HSBC.

**Liquidity risk**
The group's policy has been to ensure continuity of funding through the financing of material capital investment via finance leases and through arranging longer-term facilities for longer-term elements of the group's financial structure.

**Cash flow interest rate risk**
Interest bearing assets are currently not a material part of the group's financial structure. As regards borrowings, the directors ensure that these incorporate a mix of fixed and variable interest debt to mitigate the potential impact of future interest rate increases. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the group.

This report was approved by the board on 6 July 2018 and signed on its behalf.

R Moran

**Ruth Moran**
Director

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 28 FEBRUARY 2018

The directors present their report and the financial statements for the year ended 28 February 2018.

## Principal activity

Naylor Industries Plc is the parent company of subsidiaries primarily involved in the manufacture and sale of building materials. The group's Head Office is located in Wombwell, South Yorkshire. The group's operating subsidiaries are:

Naylor Drainage Ltd, whose primary activities are the manufacture and sale of:

- Pipe systems made of clay and plastic for non-pressure sewerage, drainage and ducting applications
- Ceramic gardenware
- Bespoke extrusions
- Ventilation duct

The business is structured as five divisions on four sites: Clay Drainage (Cawthorne), Cawthorne Plastics (Cawthorne), Methil Plastics (Fife), Specialist Plastics (Tipton, Wombwell) and Gardenware (Cawthorne).

Naylor Concrete Products Ltd, whose activity is the manufacture of pre-stressed and precast concrete products: lintels and panels, retaining walls and tanks.

## Results and dividends

The loss for the year, after taxation, amounted to £397,377 *(2017: profit £644,250).*

The group's Continuing Operations managed to generate a small surplus for the year despite significant Exceptional spend of £1,347,213 (2017: £1,925,033) during the year. This primarily related to the costs of infrastructure and enabling works related to the commissioning of a new large diameter Twin Wall Drain factory on our Cawthorne site.

The costs of exiting the Hyde based Polymer processing business are included in Exceptional costs; in addition, the final year's trading which incorporates the winding down of this business is included in Discontinued Operations; both contributed significantly to the overall financial result for the year.

The profit for the year after taxation amounted to £252,299 (2017: £1,061,004) for the Continuing Operations and the overall loss including discontinued Operations amounted to £397,377 (2017 profit: £644,250).

No dividend was paid or is proposed in respect of the financial year ended 28 February 2018 (2017: £Nil).

## Directors

The directors who served during the year and their interests in the Group's issued share capital were:

| | A Ordinary shares of £1 each | | B Ordinary shares of £1 each | | C Ordinary shares of £1 each | |
|---|---|---|---|---|---|---|
| | **28/2/18** | *1/3/17* | **28/2/18** | *1/3/17* | **28/2/18** | *1/3/17* |
| Edward Naylor | **248,855** | *248,855* | **250,000** | *250,000* | **137,300** | *137,300* |
| David Fletcher | **79,520** | *79,520* | - | - | - | - |
| Bridget Warner-Adsetts | **79,520** | *79,520* | - | - | - | - |
| Ruth Moran | - | - | - | - | - | - |

**Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Research & development**

Innovation remains important to the group, with all the group's businesses being active in new product development. The group continues to benefit from Research & Development grants, reflecting the high levels of R&D across all divisions. Research and development expenditure is written-off during the year in which it is incurred.

A number of significant new product launches were undertaken during 2017/18- particularly in our Plastic divisions where we have developed an innovative range of Environmental products- and further new product launches are planned for 2018/19.

**Future developments**

The last three financial years have seen major investment in plant and premises and during that period, we have relocated two of our businesses with resultant operational disruption. The Directors are anticipating a lower level of capital investment and operational disruption in 2018/19.

**Employee involvement**

As a fourth generation family business and a long-standing Investor in People, Employee involvement is important to the Naylor Group. The Group CEO undertakes a twice yearly roadshow, where all employees are updated on developments affecting the group. Annual budgets and divisional plans are summarised and distributed around all employees. Employees are represented at an Employee Forum and an action card tracker system encourages employees to contribute improvement ideas.

## Disabled employees

Our Equality Policy is at the heart of our commitment to equal opportunities for all in the Naylor group. The rights of disabled persons and the responsibilities of the group are embedded within this policy. The needs of disabled employees, including work place modifications for example, are given priority and accommodated wherever possible. Line Managers receive training in the Equality Policy to ensure consistency and their understanding and application of the policy is reviewed in their performance appraisals.

## Qualifying third party indemnity provisions

All directors benefited from qualifying indemnity insurance policies in place during the financial year.

## Disclosure of information to auditor

The directors confirm that:

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

## Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6 July 2018 and signed on its behalf.

R Moran

**Ruth Moran**
Director

GrantThornton

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAYLOR INDUSTRIES PLC

### Opinion

We have audited the financial statements of Naylor Industries Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 28 February 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of changes in equity, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 February 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 Auditor's 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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

### 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 or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

GrantThornton



**Other information**

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

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

**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 Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

**Matter on which we are required to report by the Companies Act 2006**

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 Directors' report.

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

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

- adequate accounting records have not been kept 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.

GrantThornton

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAYLOR INDUSTRIES PLC (CONTINUED)**

**Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Grant Thornton UK LLP

Victoria McLoughlin BA FCA
Senior statutory auditor
for and on behalf of
**Grant Thornton UK LLP**
Chartered Accountants
Statutory Auditor
Leeds

6 July 2018

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 28 FEBRUARY 2018

| | Note | Continuing operations 2018 £ | Discontin'd operations 2018 £ | Total 2018 £ | *Continuing operations 2017 £* | *Discontinued operations 2017 £* | *Total 2017 £* |
|---|---|---|---|---|---|---|---|
| Turnover | 4 | 49,006,375 | 1,132,002 | 50,138,377 | *50,519,780* | *810,606* | *51,330,386* |
| Cost of sales | | (37,364,003) | (1,451,484) | (38,815,487) | *(36,946,848)* | *(1,116,507)* | *(38,063,355)* |
| **Gross profit** | | 11,642,372 | (319,482) | 11,322,890 | *13,572,932* | (305,901) | *13,267,031* |
| Distribution costs | | (5,333,155) | (64,676) | (5,397,831) | *(5,279,152)* | *(39,491)* | *(5,318,643)* |
| Administrative expenses | | (4,517,974) | (144,665) | (4,662,639) | *(4,932,700)* | *(71,362)* | *(5,004,062)* |
| Exceptional administrative expenses | 11 | (1,346,943) | (120,853) | (1,467,796) | *(1,925,033)* | - | *(1,925,033)* |
| **Operating (loss)/profit** | 5 | 444,300 | (649,676) | (205,376) | *1,436,047* | (416,754) | *1,019,293* |
| Interest payable and expenses | 9 | (423,457) | - | (423,457) | *(330,803)* | - | *(330,803)* |
| **(Loss)/profit before taxation** | | 20,843 | (649,676) | (628,833) | *1,105,244* | (416,754) | *688,490* |
| Tax on (loss)/profit | | 231,456 | - | 231,456 | *(44,240)* | - | *(44,240)* |
| **(Loss)/profit for the financial year** | | 252,299 | (649,676) | (397,377) | *1,061,004* | (416,754) | *644,250* |
| Unrealised surplus on revaluation of tangible fixed assets | | | | - | | | *1,819,591* |
| Movement of deferred tax related to revaulation | | | | - | | | *(281,000)* |
| **Other comprehensive income for the year** | | | | - | | | *1,538,591* |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
## FOR THE YEAR ENDED 28 FEBRUARY 2018

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total comprehensive income for the year** | | | **(397,377)** | | | *2,182,841* |
| **(Loss)/profit *for the year* attributable to:** | | | | | | |
| Owners of the parent company | **(397,377)** | **-** | **(397,377)** | *644,250* | **-** | *644,250* |
| | **(397,377)** | **-** | **(397,377)** | *644,250* | **-** | *644,250* |
| **Total comprehensive income for the year attributable to:** | | | | | | |
| Owners of the parent company | | | **(397,377)** | | | *2,182,841* |
| | | | **(397,377)** | | | *2,182,841* |

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

The notes on pages 22 to 48 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 28 FEBRUARY 2018

| | Note | | 2018 £ | | 2017 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 12 | | **25,656,155** | | *22,926,167* |
| | | | **25,656,155** | | *22,926,167* |
| **Current assets** | | | | | |
| Stocks | 14 | **6,722,281** | | *7,772,841* | |
| Debtors: amounts falling due within one year | 15 | **9,569,161** | | *11,410,745* | |
| Cash at bank and in hand | 16 | **184,065** | | *312,284* | |
| | | **16,475,507** | | *19,495,870* | |
| Creditors: amounts falling due within one year | 17 | **(19,168,489)** | | *(18,949,597)* | |
| **Net current (liabilities)/assets** | | | **(2,692,982)** | | *546,273* |
| **Total assets less current liabilities** | | | **22,963,173** | | *23,472,440* |
| Creditors: amounts falling due after more than one year | 18 | | **(7,127,062)** | | *(7,066,625)* |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 22 | **(821,024)** | | *(993,351)* | |
| Other provisions | 23 | **(1,119,093)** | | *(1,119,093)* | |
| | | | **(1,940,117)** | | *(2,112,444)* |
| **Net assets** | | | **13,895,994** | | *14,293,371* |
| **Capital and reserves** | | | | | |
| Called up share capital | 25 | | **5,045,195** | | *5,045,195* |
| Share premium account | 24 | | **501,266** | | *501,266* |
| Revaluation reserve | 24 | | **3,694,168** | | *3,694,168* |
| Capital redemption reserve | 24 | | **233** | | *233* |
| Profit and loss account | 24 | | **4,655,132** | | *5,052,509* |
| **Equity attributable to owners of the parent company** | | | **13,895,994** | | *14,293,371* |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 July 2018.

R Moran

**Ruth Moran**
Director

The notes on pages 22 to 48 form part of these financial statements.

## COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 28 FEBRUARY 2018

| | Note | | 2018<br>£ | | 2017<br>£ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 12 | | **10,020,943** | | *10,236,042* |
| Investments | 13 | | **1,058,220** | | *1,058,220* |
| | | | **11,079,163** | | *11,294,262* |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 15 | **1,349,010** | | *1,841,307* | |
| Cash at bank and in hand | 16 | **3,456** | | *58,237* | |
| | | **1,352,466** | | *1,899,544* | |
| Creditors: amounts falling due within one year | 17 | **(1,383,883)** | | *(1,563,299)* | |
| **Net current (liabilities)/assets** | | | **(31,417)** | | *336,245* |
| **Total assets less current liabilities** | | | **11,047,746** | | *11,630,507* |
| Creditors: amounts falling due after more than one year | 18 | | **(3,537,790)** | | *(4,154,297)* |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 22 | **(274,000)** | | *(355,000)* | |
| | | | **(274,000)** | | *(355,000)* |
| **Net assets** | | | **7,235,956** | | *7,121,210* |

## COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
## AS AT 28 FEBRUARY 2018

| | Note | 28 February 2018 £ | 28 February 2017 £ |
|---|---|---|---|
| **Capital and reserves** | | | |
| Called up share capital | 25 | **5,045,195** | *5,045,195* |
| Share premium account | 24 | **501,266** | *501,266* |
| Revaluation reserve | 24 | **1,316,224** | *1,316,224* |
| Capital redemption reserve | 24 | **233** | *233* |
| Profit and loss account | 24 | **373,038** | *258,292* |
| | | **7,235,956** | *7,121,210* |

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £114,746.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 July 2018.

R Moran

**Ruth Moran**
Director

The notes on pages 22 to 48 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 28 FEBRUARY 2018

| | Called up share capital | Share premium account | Capital redemption reserve | Revaluation reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At 1 March 2017 | 5,045,195 | 501,266 | 233 | 3,694,168 | 5,052,509 | 14,293,371 |
| **Comprehensive income for the year** | | | | | | |
| Loss for the year | - | - | - | - | (397,377) | (397,377) |
| **Other comprehensive income for the year** | - | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | - | (397,377) | (397,377) |
| Dividends: Equity capital | - | - | - | - | - | - |
| **Total transactions with owners** | - | - | - | - | - | - |
| **At 28 February 2018** | 5,045,195 | 501,266 | 233 | 3,694,168 | 4,655,132 | 13,895,994 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 28 FEBRUARY 2017

| | Called up share capital | Share premium account | Capital redemption reserve | Revaluation reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At 1 March 2016 | 5,045,195 | 501,266 | 233 | 1,874,577 | 4,689,259 | 12,110,530 |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | 644,250 | 644,250 |
| Deferred tax movements | - | - | - | - | (281,000) | (281,000) |
| Surplus on revaluation of freehold property | - | - | - | 1,819,591 | - | 1,819,591 |
| **Other comprehensive income for the year** | - | - | - | 1,819,591 | (281,000) | 1,538,591 |
| **Total comprehensive income for the year** | - | - | - | 1,819,591 | 363,250 | 2,182,841 |
| **Total transactions with owners** | - | - | - | - | - | - |
| **At 28 February 2017** | 5,045,195 | 501,266 | 233 | 3,694,168 | 5,052,509 | 14,293,371 |

The notes on pages 22 to 48 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 28 FEBRUARY 2018

| | Called up share capital | Share premium account | Capital redemption reserve | Revaluation reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At 1 March 2017 | 5,045,195 | 501,266 | 233 | 1,316,224 | 258,292 | 7,121,210 |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | 114,746 | 114,746 |
| **Total comprehensive income for the year** | - | - | - | - | 114,746 | 114,746 |
| **Total transactions with owners** | - | - | - | - | - | - |
| **At 28 February 2018** | 5,045,195 | 501,266 | 233 | 1,316,224 | 373,038 | 7,235,956 |

## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 28 FEBRUARY 2017

| | Called up share capital | Share premium account | Capital redemption reserve | Revaluation reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At 1 March 2016 | **5,045,195** | **501,266** | **233** | **(398,776)** | **445,502** | **5,593,420** |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | **1,527,790** | **1,527,790** |
| **Total comprehensive income for the year** | - | - | - | - | **1,527,790** | **1,527,790** |
| Transfer to/from profit and loss account | - | - | - | **1,715,000** | **(1,715,000)** | - |
| **Total transactions with owners** | - | - | - | **1,715,000** | **(1,715,000)** | - |
| **At 28 February 2017** | **5,045,195** | **501,266** | **233** | **1,316,224** | **258,292** | **7,121,210** |

The notes on pages 22 to 48 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 28 FEBRUARY 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit for the financial year | **(397,377)** | *644,250* |
| **Adjustments for:** | | |
| Depreciation of tangible assets | **1,406,825** | *1,320,159* |
| Profit on disposal of tangible assets | **(25,956)** | - |
| Interest paid | **423,457** | *330,803* |
| Taxation charge | **(231,456)** | *37,955* |
| Decrease/(increase) in stocks | **1,050,559** | *(1,052,790)* |
| Decrease/(increase) in debtors | **1,741,556** | *(21,089)* |
| Increase/(decrease) in creditors | **596,360** | *(333,788)* |
| Increase/(decrease) in provisions | - | *(174,067)* |
| Corporation tax (paid)/received | **(134,327)** | - |
| Amortisation of grants | **(84,043)** | *(84,043)* |
| Movement in foreign exchange forward currency contracts | **100,028** | *158,025* |
| **Net cash generated from operating activities** | **4,445,626** | *825,415* |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | **(2,153,160)** | *(4,162,635)* |
| Sale of tangible fixed assets | **263,475** | - |
| HP interest paid | **(152,297)** | *(110,471)* |
| **Net cash from investing activities** | **(2,041,982)** | *(4,273,106)* |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
## FOR THE YEAR ENDED 28 FEBRUARY 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Cash flows from financing activities** | | |
| New bank loans | - | *1,260,000* |
| Repayment of bank loans | **(743,799)** | *(1,014,613)* |
| Repayment of/new finance leases | **(985,696)** | *903,434* |
| Proceeds of factored debt | **984,464** | *(487,937)* |
| Interest paid | **(271,160)** | *(220,332)* |
| **Net cash used in financing activities** | **(1,016,191)** | *440,552* |
| **Net increase/(decrease) in cash and cash equivalents** | **1,387,453** | *(3,007,139)* |
| Cash and cash equivalents at beginning of year | **(1,203,443)** | *1,803,697* |
| **Cash and cash equivalents at the end of year** | **184,010** | *(1,203,442)* |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **184,065** | *312,284* |
| Bank overdrafts | **(55)** | *(1,515,726)* |
| | **184,010** | *(1,203,442)* |

The notes on pages 22 to 48 form part of these financial statements.

## 1. General information

Naylor Industries Plc is a private company limited by shares and registered in England and Wales. Its registered address is Clough Green, Cawthorne, Barnsley, South Yorkshire, S75 4AD.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and certain financial assets and liabilities held at fair value through profit or loss, in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006'.

The company has early adopted the FRS 102 Triennial Review. This has resulted in the Investment Property in the company of £9,800,000 being reclassified as Freehold Land and Buildings as at the date of transition of 1 March 2016.

During the year Naylor Drainage closed its Polymers division therefore the results for this part of the business have been classified as discontinued in the Consolidated Statement of Comprehensive Income in both years.

The Group's functional and presentational currency is Sterling (£).

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

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

## 2. Accounting policies (continued)

### 2.2 Basis of consolidation

The consolidated financial statements present the results of the group and its subsidiaries together "the group" as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**Reduced disclosure exemptions - parent company only**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":
· the requirements of Section 7 Statement of Cash Flows;
· the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
· the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
· the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in these consolidated financial statements.

### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 2. Accounting policies (continued)

### 2.4 Intangible assets

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

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

Amortisation is provided on the following basis:

| | | |
|---|---|---|
| Goodwill | - | 10% straight line |

### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| | |
|---|---|
| Freehold property | - 50 years |
| Plant & machinery | - 10 - 15 years |
| Fixtures & fittings | - 5 - 10 years |
| Assets under construction | - No depreciation is charged on these assets as they are not yet available for use |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

### 2.6 Revaluation of tangible fixed assets

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

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

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

## 2. Accounting policies (continued)

### 2.7 Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### 2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

### 2.11 Debtors

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

### 2.12 Cash and cash equivalents

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

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

## 2. Accounting policies (continued)

### 2.13 Financial instruments

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

## 2. Accounting policies (continued)

### 2.14 Creditors

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

### 2.15 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

### 2.16 Foreign currency translation

**Functional and presentation currency**

The group's functional and presentational currency is Sterling (£).

**Transactions and balances**

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

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

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

### 2.17 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## 2. *Accounting policies (continued)*

### 2.18 Pensions

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

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

### 2.19 Provisions for liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

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

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

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

## 2. Accounting policies (continued)

### 2.20 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

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

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

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

### 2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

## 3. Critical accounting judgements and estimation uncertainty

**Useful economic lives of tangible assets**
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 2.5 for the useful economic lives for each class of assets.

**Inventory provisioning**
The group's products, particularly its Gardenware offering are subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory.

**Impairment of debtors**
The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the carrying amount of debtors net of associated impairment provision.

**Property valuations**
The valuation of the group's property is inherently subjective. As a result the valuations the group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. The group mitigates this risk by the use of third party independent qualified valuers.

## 4. Turnover

Analysis of turnover by country of destination:

| | **2018** | *2017* |
|---|---|---|
| | **£** | *£* |
| United Kingdom | **48,975,254** | *50,199,439* |
| Rest of the world | **1,163,123** | *1,130,947* |
| | **50,138,377** | *51,330,386* |

## 5. Operating (loss)/profit

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

| | **2018** | *2017* |
|---|---|---|
| | **£** | *£* |
| Research & development charged as an expense | **46,306** | *43,034* |
| Depreciation of tangible fixed assets | **1,406,825** | *1,320,159* |
| Exchange differences | **(13,184)** | *(268,986)* |
| Other operating lease rentals | **229,073** | *141,492* |
| Release of government grants | **(84,043)** | *(84,043)* |

## 6. Auditor's remuneration

| | **2018** | *2017* |
|---|---|---|
| | **£** | *£* |
| Fees payable to the Group's auditor for the audit of the parent Company's annual accounts | **11,500** | *11,000* |
| Fees payable to the group's auditor for the audit of the group's and subsidiary annual accounts | **24,500** | *24,000* |
| Taxation compliance | **10,000** | *9,750* |
| Other accounting services | **2,475** | *2,400* |

## 7. Employees

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

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| Wages and salaries | **8,311,029** | *8,505,988* | - | - |
| Social security costs | **742,803** | *769,823* | - | - |
| Cost of defined contribution scheme | **132,514** | *189,249* | - | - |
| | **9,186,346** | *9,465,060* | - | - |

The company did not incur any staff costs during the year *(2017: £Nil)*. All wages and related costs were borne by related group undertakings.

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

| | **2018 No.** | *2017 No.* |
|---|---|---|
| Manufacturing | **237** | *237* |
| Trading | **69** | *65* |
| Central | **29** | *29* |
| | **335** | *331* |

The company has no employees other than the directors, who did not receive any remuneration *(2017: £Nil)*.

## 8. Directors' remuneration

| | **2018 £** | *2017 £* |
|---|---|---|
| Directors' emoluments | **387,077** | *375,960* |
| Contributions to defined contribution pension schemes | **14,206** | *13,580* |
| | **401,283** | *389,540* |

During the year retirement benefits were accruing to 3 directors *(2017: 3)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £144,147 *(2017: £140,644)*.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,635 *(2017: £5,529)*.

## 9. Interest payable and similar charges

| | 2018 £ | 2017 £ |
|---|---|---|
| Bank interest payable | - | 3,273 |
| Other loan interest payable | 263,440 | 208,492 |
| Finance leases and hire purchase contracts | 152,297 | 110,628 |
| Other interest payable | 7,720 | 8,410 |
| | 423,457 | 330,803 |

## 10. Taxation

| | 2018 £ | 2017 £ |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | - | 69,764 |
| Adjustments in respect of previous periods | (59,129) | (167,075) |
| | (59,129) | (97,311) |
| **Total current tax** | (59,129) | (97,311) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (210,676) | 382,751 |
| Adjustments in respect of previous periods | 38,349 | 39,800 |
| **Total deferred tax** | (172,327) | 422,551 |
| **Taxation on (loss)/profit on ordinary activities** | (231,456) | 325,240 |

## 10. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017: higher than)* the standard rate of corporation tax in the UK of 19% *(2017: 20%)*. The differences are explained below:

| | 2018 £ | *2017 £* |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | **(628,833)** | *688,490* |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%) | **(120,014)** | *137,698* |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **38,764** | *330,577* |
| Adjustments to tax charge in respect of prior periods | **(20,780)** | *(127,275)* |
| Deferred tax not recognised | **16,000** | *(9,000)* |
| Rate difference Deferred tax | **(145,426)** | *(6,760)* |
| **Total tax charge for the year** | **(231,456)** | *325,240* |

## 11. Exceptional items

| | 2018 £ | *2017 £* |
|---|---|---|
| Relocation costs and site preparation | - | *1,449,937* |
| Impairment of goodwill | - | *154,990* |
| Operational downtime | **475,924** | *320,106* |
| Discontinued operations | **133,964** | - |
| Restructuring costs | **181,719** | - |
| Stock write down | **676,189** | - |
| | **1,467,796** | *1,925,033* |

**Relocation costs and site preparation**
The relocation and site preparation costs in the prior year relate to the relocation of White's (Concrete) to the Barugh Green site and to the relocation of the former Amco Plastics and other activities to the Wombwell site.

**Impairment of goodwill**
The acquisition of White's (Concrete) in April 2016 was followed by a period of trading losses in that business which led to the decision in 2016/17 that goodwill arising on the acquisition should be impaired.

**Operational downtime**
*Operational downtime relates to the under-recovery of production overheads as a result of a sustained* period of under/non-production. The charge in the prior year relates predominantly to the impact of power outages as a result of the major works.

**Discontinued operations**
This charge relates to the costs of exiting the discontinued Polymers business.

**Restructuring costs**
These relate predominantly to termination costs following divisional reorganisations.

**Stock write-down**
These largely relate to items being discontinued following a major Gardenware range revision, plus write-offs identified as being required across the other divisions following full reviews of stock-holdings.

## 12. Tangible fixed assets

### Group

| | Freehold property £ | Plant & machinery £ | Fixtures & fittings £ | Assets under construction £ |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 March 2017 | **9,800,000** | **31,181,594** | **1,286,848** | **3,888,121** |
| Additions | **-** | **44,192** | **-** | **4,330,140** |
| Disposals | **-** | **(7,335,264)** | **(784,467)** | **-** |
| Transfers between classes | **-** | **1,895,646** | **-** | **(1,895,646)** |
| At 28 February 2018 | **9,800,000** | **25,786,168** | **502,381** | **6,322,615** |
| **Depreciation** | | | | |
| At 1 March 2017 | **-** | **21,966,361** | **1,264,035** | **-** |
| Charge for the year on owned assets | **104,590** | **1,284,349** | **17,886** | **-** |
| Disposals | **-** | **(7,098,555)** | **(783,657)** | **-** |
| At 28 February 2018 | **104,590** | **16,152,155** | **498,264** | **-** |
| **Net book value** | | | | |
| At 28 February 2018 | **9,695,410** | **9,634,013** | **4,117** | **6,322,615** |
| *At 28 February 2017* | *9,800,000* | *9,215,233* | *22,813* | *3,888,121* |

## 12. Tangible fixed assets (continued)

| | Total |
|---|---|
| | £ |
| **Cost or valuation** | |
| At 1 March 2017 | **46,156,563** |
| Additions | **4,374,332** |
| Disposals | **(8,119,731)** |
| Transfers between classes | **-** |
| At 28 February 2018 | **42,411,164** |
| **Depreciation** | |
| At 1 March 2017 | **23,230,396** |
| Charge for the year on owned assets | **1,406,825** |
| Disposals | **(7,882,212)** |
| At 28 February 2018 | **16,755,009** |
| **Net book value** | |
| At 28 February 2018 | **25,656,155** |
| *At 28 February 2017* | *22,926,167* |

The freehold land and buildings were revalued to £9,800,000 at 28 February 2017 on the basis of depreciated replacement cost. The valuations were independent and external being carried out by Sanderson Weatherall, Chartered Surveyors, in accordance with RICS appraisal and valuation standards published by the Royal Institute of Chartered Surveyors.

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

| | 2018 | *2017* |
|---|---|---|
| | £ | *£* |
| **Group** | | |
| Cost | **8,921,915** | *8,921,915* |
| Accumulated depreciation | **(1,701,978)** | *(1,597,387)* |
| **Net book value** | **7,219,937** | *7,324,528* |

**Company**

| | Freehold land and buildings £ | Plant & machinery £ | Assets under construction £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 March 2017 | **9,800,000** | **-** | **436,042** | **10,236,042** |
| Disposals | **-** | **-** | **(96,945)** | **(96,945)** |
| Transfers between classes | **-** | **339,097** | **(339,097)** | **-** |
| At 28 February 2018 | **9,800,000** | **339,097** | **-** | **10,139,097** |
| **Depreciation** | | | | |
| Charge for the year on owned assets | **104,590** | **13,564** | **-** | **118,154** |
| At 28 February 2018 | **104,590** | **13,564** | **-** | **118,154** |
| **Net book value** | | | | |
| At 28 February 2018 | **9,695,410** | **325,533** | **-** | **10,020,943** |
| *At 28 February 2017* | *9,800,000* | *-* | *436,042* | *10,236,042* |

The company has early adopted the FRS 102 Triennial Review. This has resulted in the Investment Property in the company of £9,800,000 being reclassified as Freehold Land and Buildings as at the date of transition of 1 March 2017.

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

| | 2018 £ | *2017 £* |
|---|---|---|
| **Company** | | |
| Cost | **8,921,915** | *8,921,915* |
| **Net book value** | **8,921,915** | *8,921,915* |

## 13. Fixed asset investments

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

| Name | Class of shares | Holding | Principal activity |
|---|---|---|---|
| Naylor Drainage Limited | Ordinary | 100 % | Manufacture and sale of clay and plastic drainage systems |
| Naylor Concrete Products Limited | Ordinary | 100 % | Manufacture and sale of concrete products |
| Naylor Plastics Limited | Ordinary | 100 % | Non-trading |
| Naylor Hathernware Limited | Ordinary | 100 % | Non-trading |
| Naylor Utilities & Distribution Limited | Ordinary | 100 % | Non-trading |
| The Yorkshire Flower Pot Company Limited | Ordinary | 100 % | Non-trading |
| White's (Concrete) Limited | Ordinary | 100 % | Non-trading |
| Amco Plastic Holdings Limited* | Ordinary | 100 % | Non-trading |
| Amco Plastics Limited** | Ordinary | 100 % | Non-trading |
| ADP Surface Solutions Limited* | Ordinary | 100 % | Non-trading |

* 100% subsidiary of Naylor Drainage Limited
** 100% subsidiary of AMCO Plastic Holdings Limited

All of the above companies are registered at the company's registered office as detailed in note 1.

**Company**

| | Investments in subsidiary companies £ |
|---|---|
| **Cost** | |
| At 1 March 2017 | **1,058,220** |
| At 28 February 2018 | **1,058,220** |
| **Net book value** | |
| At 28 February 2018 | **1,058,220** |
| *At 28 February 2017* | *1,058,220* |

## 14. Stocks

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| Raw materials and consumables | **2,038,962** | *1,707,964* | - | - |
| Work in progress | **45,963** | *221,778* | - | - |
| Finished goods and goods for resale | **4,637,356** | *5,843,099* | - | - |
| | **6,722,281** | *7,772,841* | - | - |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment loss of £676,189 (2017: £Nil) was recognised in exceptional costs against stock during the year due to discontinued and obsolete stock - refer note 11.

## 15. Debtors

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| Trade debtors | **8,889,074** | *10,630,635* | - | - |
| Amounts owed by group undertakings | - | - | **1,348,383** | *1,840,680* |
| Other debtors | **306,799** | *339,467* | **627** | *627* |
| Prepayments and accrued income | **373,288** | *340,615* | - | - |
| Financial instruments | - | *100,028* | - | - |
| | **9,569,161** | *11,410,745* | **1,349,010** | *1,841,307* |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## 16. Cash and cash equivalents

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| Cash at bank and in hand | **184,065** | *312,284* | **3,456** | *58,237* |
| Less: bank overdrafts | **(55)** | *(1,515,726)* | - | - |
| | **184,010** | *(1,203,442)* | **3,456** | *58,237* |

## 17. Creditors: Amounts falling due within one year

| | Group 2018 £ | Group 2017 £ | Company 2018 £ | Company 2017 £ |
|---|---|---|---|---|
| Bank overdrafts | 55 | 1,515,726 | - | - |
| Bank loans | 946,437 | 1,127,167 | 946,437 | 1,127,167 |
| Trade creditors | 6,288,733 | 5,057,937 | - | - |
| Government grants | 84,043 | 84,043 | - | - |
| Amounts owed to group undertakings | - | - | 360,138 | 360,138 |
| Corporation tax | - | 193,456 | 3,016 | 3,016 |
| Other taxation and social security | 532,928 | 648,931 | - | - |
| Obligations under finance lease and hire purchase contracts | 1,027,802 | 499,875 | 47,247 | 45,937 |
| Proceeds of factored debts | 5,918,754 | 4,934,290 | - | - |
| Other creditors | 83,252 | 86,629 | 16,497 | 16,495 |
| Accruals and deferred income | 4,286,485 | 4,801,539 | 10,548 | 10,546 |
| | 19,168,489 | 18,949,593 | 1,383,883 | 1,563,299 |

The invoice discounting balance of £5,918,754 (2017: £4,934,290) is secured on certain trade debtors and stock of the group.

There is a charge in place over Contract Monies dated 31 January 2013.

A debenture is in place which includes a Fixed Charge over all present freehold and leasehold property; a First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; a First Floating Charge over all assets and undertakings both present and future dated 11 January 2013.

There is a Composite Company Unlimited Multilateral Guarantee given by Naylor Industries plc, Naylor Drainage Limited and Naylor Concrete Products Limited, dated 10 January 2013.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## 18. Creditors: Amounts falling due after more than one year

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| Bank loans | **3,445,882** | *4,008,952* | **3,445,882** | *4,008,952* |
| Net obligations under finance leases and hire purchase contracts | **2,733,588** | *2,026,038* | **91,908** | *145,345* |
| Government grants received | **947,592** | *1,031,635* | **-** | *-* |
| | **7,127,062** | *7,066,625* | **3,537,790** | *4,154,297* |

## 19. Loans

Included within the amounts above are amounts falling due as follows:

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Bank loans | **946,437** | *1,127,167* | **946,437** | *1,127,167* |
| **Amounts falling due 1-2 years** | | | | |
| Bank loans | **847,485** | *1,127,167* | **847,485** | *1,127,167* |
| **Amounts falling due 2-5 years** | | | | |
| Bank loans | **1,495,050** | *2,518,953* | **1,495,050** | *2,518,953* |
| **Amounts falling due after more than 5 years** | | | | |
| Bank loans | **1,103,347** | *362,832* | **1,103,347** | *362,832* |
| | **4,392,319** | *5,136,119* | **4,392,319** | *5,136,119* |

## 20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| Within one year | **1,027,802** | *499,875* | **47,247** | *45,937* |
| Between 1-5 years | **2,687,960** | *1,851,088* | **91,908** | *145,345* |
| Over 5 years | **45,628** | *174,950* | **-** | *-* |
| | **3,761,390** | *2,525,913* | **139,155** | *191,282* |

The amounts owed in relation to obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

## 21. *Financial instruments*

| | **Group 2018 £** | *Group 2017 £* | **Company 2018 £** | *Company 2017 £* |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | **-** | *100,028* | **-** | *-* |
| Financial assets that are debt instruments measured at amortised cost | **9,381,706** | *11,282,386* | **1,379,993** | *1,899,544* |
| | **9,381,706** | *11,382,414* | **1,379,993** | *1,899,544* |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost | **(15,008,802)** | *(16,546,916)* | **(4,779,501)** | *(5,523,298)* |

Financial assets measured at fair value through profit or loss comprise forward currency contracts.

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

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

## 22. Deferred taxation

### Group

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| At 1 March 2016 | **(993,351)** | *(570,800)* |
| Charged to income statement | **172,327** | *(141,551)* |
| Charged to other comprehensive income | **-** | *(281,000)* |
| **At 28 February 2017** | **(821,024)** | *(993,351)* |

The group has unprovided deferred tax of £22,000 (2017: £18,000).

### Company

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| At beginning of year | **(355,000)** | *(74,000)* |
| Charged to income statement | **81,000** | *(281,000)* |
| **At end of year** | **(274,000)** | *(355,000)* |

| | Group<br>2018<br>£ | Group<br>2017<br>£ | Company<br>2018<br>£ | Company<br>2017<br>£ |
|---|---|---|---|---|
| Accelerated capital allowances | **(851,624)** | *(710,551)* | **-** | *-* |
| Unrealised capital gains | **(274,000)** | *(355,000)* | **(274,000)** | *(355,000)* |
| Other short-term timing differences | **304,600** | *72,200* | **-** | *-* |
| | **(821,024)** | *(993,351)* | **(274,000)** | *(355,000)* |

The company has unprovided deferred tax of £22,000 (2017: £18,000).

## 23. Provisions

### Group

| | Provision for quarry restoration £ | Dilapidations provision £ | Total £ |
|---|---|---|---|
| At 1 March 2017 | 584,559 | 534,534 | 1,119,093 |
| **At 28 February 2018** | **584,559** | **534,534** | **1,119,093** |

### Provision for quarry restoration

The estimated cost of restoring the quarry sites at the end of their producing lives, is based on internal engineering estimates. Provision is made for the estimated restoration costs at the balance sheet date based on mineral extraction and remaining mineral reserves. The payment dates of expected future restoration costs are uncertain, but are currently anticipated to be between 2018 and 2042.

### Dilapidations Provision

The group has made provision for anticipated withdrawal and dilapidation costs in respect of certain leasehold premises whose leases are approaching expiry.

The company has no provisions.

## 24. Reserves

### Share premium account

This reserve records the additional amounts received from the issue of share capital.

### Revaluation reserve

This reserve comprises unrealised surpluses or deficits on the revaluation of properties.

### Capital redemption reserve

This reserve comprises of the redemption or purchase and cancellation of the company's own shares.

### Profit & loss account

This reserve records retained earnings and accumulated losses.

## 25. Share capital

| | 2018 £ | 2017 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 407,895 A Ordinary shares of £1 each | **407,895** | *407,895* |
| 250,000 B Ordinary shares of £1 each | **250,000** | *250,000* |
| 137,300 C Ordinary shares of £1 each | **137,300** | *137,300* |
| 348,970 Non voting shares of £1 each | **348,970** | *348,970* |
| 3,901,030 Deferred shares of £1 each | **3,901,030** | *3,901,030* |
| | **5,045,195** | *5,045,195* |

The shares rate pari passu in all respects except as noted below;

The holders of the deferred shares shall not be entitled to receive any dividend or other distribution. On a return of capital on liquidation, or otherwise, the holders of the deferred shares shall only be entitled to the repayment of the nominal amount (excluding any premium) paid up on such shares after the repayment of the capital paid up, or credited as paid up, on all other classes of shares and the payment of £1,000,000 on every other share in issue in the capital of the company.

The holders of the deferred shares shall not be entitled to receive notice of, or to attend or vote at, any general meeting of the company.

The company may at its option, at any time, redeem all of the deferred shares then in use, at a price not exceeding a penny for each holding of the deferred shares so redeemed.

**Dividends**
Other than the deferred shares, each of the shares shall have an equal right to dividends payable by the company.

**Voting**
Subject to any other provisions noted below concerning voting rights, the A ordinary shares, B ordinary shares and C ordinary shares shall each confer on each holder of such shares, the right to receive notice of and to attend, speak and vote at all general meetings of the company and each such share shall carry one vote per share.

The holder of non-voting shares shall be entitled to receive notice of and to attend and speak at any general meetings of the company, but shall not be entitled to vote unless resolutions are to be proposed at such general meeting that will vary the rights attaching to the non-voting shares, in which case the non-voting shares shall carry one vote per share. The holder of deferred shares shall not be entitled to receive notice of and to attend and speak at any general meetings of the company unless resolutions are to be proposed at such general meetings that will vary the rights attaching to the deferred shares.

The C ordinary shares, as a class, shall be entitled to such additional number of votes as shall be equivalent to 95 per cent of all the votes capable of being exercised on a poll in the event of certain circumstances set out in the articles adopted on 30 January 2008.

## 25. Share capital (continued)

**Capital**
On liquidation, or other return of capital, the surplus assets available after payment of the company's liabilities shall be distributed as follows:

First in paying to the holders of the equity shares the par value of such shares and any unpaid dividends on such shares;

Second, in distributing the balance amongst the holders of the equity shares as if the same constituted one class in proportion to the amounts paid up or credited as paid up thereon, respectively.

## 26. Contingent liabilities

A £40,000 guarantee is in place in favour of HMRC (2017: £40,000).

## 27. Pension commitments

The group operates a defined contribution pension scheme. During the year, contributions of £132,514 (2017: £189,249) were made to the scheme. At the year end, there were no contributions outstanding (2017: £Nil).

## 28. Commitments under operating leases

At 28 February 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

| | **Group 2018 £** | *Group 2017 £* |
|---|---|---|
| Not later than 1 year | **521,971** | *339,370* |
| Between 1 and 5 years | **941,246** | *569,219* |
| Later than 5 years | **7,035** | *537* |
| | **1,470,252** | *909,126* |

The company had no operating lease commitments (2017: £Nil).

## 29. Key management personnel

The total remuneration of key management personnel is £440,192 (2017: £427,541).

## 30. Related party transactions

There are no transactions which fall due for disclosure under FRS 102. Under the terms of FRS 102 the company is exempt from disclosing details of transactions and balances with wholly owned subsidiary undertakings.

## 31. Controlling party

By virtue of his shareholding in the company at the year end, Edward Naylor is considered to be the ultimate controlling party.