

A Schulman Gainsborough Limited

Annual report and financial statements for the year ended 31 August 2017

Company registration number: 03261137

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A SCHULMAN GAINSBOROUGH LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 AUGUST 2017

Contents

| | Page |
|--|------|
| Officers and professional advisers | 2 |
| Strategic report | 3 |
| Directors' report | 5 |
| Independent auditors' report to the members of A Schulman Gainsborough Limited | 8 |
| Income Statement | 11 |
| Statement of Comprehensive Income | 12 |
| Statement of Financial Position | 13 |
| Statement of Changes in Equity | 14 |
| Notes to the financial statements | 15 |

A SCHULMAN GAINSBOROUGH LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

C Bridle
C Cluyse
H B Lingnau-Schneider

Company Secretary

C Bridle

Registered Office

Sandars Road
Heapham Road Industrial Estate
Gainsborough
Lincolnshire
DN21 1RZ

Bankers

Bank of America NA
2 King Edward Street
London
EC1A 1HQ

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

A SCHULMAN GAINSBOROUGH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their Strategic Report on the company for the year ended 31 August 2017.

Review of the business

The directors are satisfied with the performance in the year, although performance was adversely affected by increasing materials costs. Sales volumes and revenues increased compared with prior year, however material costs were negatively impacted due to the foreign exchange issues. This resulted in a reduction in gross profit of 5.6%. The directors expect to see continued operational growth in the future, and given improving market conditions this is expected to be in line with that observed during 2016/17. The main factor negatively impacting the business in the year was the deterioration of the Euro/GBP value increasing the cost of the company's main materials and resulting in a negative revaluation charge to the Income Statement for the companies' euro denominated liabilities.

Key performance indicators

The directors believe that the key performance indicators ('KPIs') are revenue growth and profitability.

Revenue has increased from £31,328,000 to £35,097,000 as a result of the growth in our added value manufactured polymer compounding & grinding business.

The loss for the financial year was £2,114,000 (2016: loss £1,517,000) which will be transferred to reserves.

Cost of sales have increased at a proportionally higher rate than turnover resulting in a decrease in gross profit margins to 13.13% (2016: 15.59%). This is due to a number of factors, including the impact of foreign currency movements on the cost of raw materials purchased. As a high percentage of our materials are purchased in euros, the ongoing reduction in the euro rate during the year has increased our costs resulting in the reduction in gross margin.

Operating margins decreased in relation to sales to 3.8% (2016: 4.3%). The underlying operating margins were in line with management expectations, however an increase in foreign currency costs due to the revaluation of euro based liabilities resulted in a significant rise in currency costs.

Employee numbers have remained stable throughout the year and although we have experienced a turnover of staff the impact on the business has been minimal.

Principal risks and uncertainties

The management of the business is subject to a number of risks including commercial risk, credit risk and pricing risk. The mitigation of these risks has been outlined below.

Commercial risk

The company continues to develop its products and services in order to maintain and develop its market share in the various product groups that it operates. This product development work is ongoing and forms an integral part of our long term plans.

Although the company provides service and product solutions for its customers the core business requires maintenance of relatively high levels of inventory at any point in time. This results in a continual ongoing working capital and pricing risk for the business. The level of risk is controlled by ensuring we manage the sourcing of raw materials and review product / service pricing levels on a monthly basis.

A SCHULMAN GAINSBOROUGH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2017 (continued)

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team and central credit team.

Financial risk management

The company's operations expose it to a variety of financial risks that include pricing risk, credit risk, and currency risk. The company has in place a risk management process that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of foreign currency exposure, accounts receivable credit exposure and the related finance costs.

In order to ensure stability of cash out flows and hence manage interest rate risk, the company is supported by fellow group operations. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

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 all aspects of financial risk defined above.

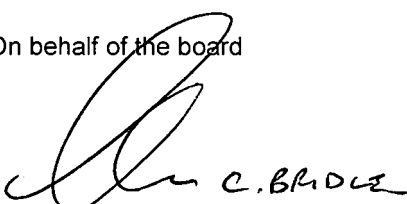
Currency risk

The company is exposed to currency risk as a result of its operations. Any requirement for hedging currency exposure is managed centrally in the A Schulman Inc Global Treasury function. The company operates foreign currency bank accounts as it receives receipts and payments in other currencies (mainly euros) as a result of its European operations.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities in the form of intercompany cashpool balances covering GBP and Euro currencies. The management of the cashpool activities is carried out by an intercompany Treasury team. In addition to this the company has an interest bearing long term intercompany loan, the details of this are outlined in the group loan agreement.

On behalf of the board



C. BRODIE

Director

Date : 16 April 2018

A SCHULMAN GAINSBOROUGH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their Annual Report and the audited financial statements of the company for the year ended 31 August 2017. All amounts disclosed in the financial statements are rounded to the nearest £'000.

Principal activities

The principal activities are the provision of custom particle size reduction services for plastic and non-plastic materials and the manufacture and supply of polymer powder. The company also acts as a distributor of raw material polymer granules to the plastics industry. The company has a manufacturing plant in the UK and sells primarily to UK and Ireland.

Review

The results for the financial year are set out in the Income Statement on page 11. The result for the financial year ended 31 August 2017 after taxation was a £2,114,000 loss (2016: £1,517,000 loss).

Future developments

The directors expect the company to perform satisfactorily during the forthcoming financial year.

Dividends

The directors have not recommended the payment of a dividend in respect of the current year (2016: £2,000,000).

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company A Schulman Inc. The directors have received confirmation that A Schulman Inc intend to support the company for at least one year after these financial statements are signed.

Financial risk management

Details of the Company's financial risk management policies can be found within the 'Principal risks and uncertainties' section of the Strategic Report.

Directors

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

D Johnson (resigned 01 December 2016)

I Casimiro (resigned 15 December 2016)

F Roederer (resigned 20 February 2017)

C Bridle (appointed 01 December 2016)

C Cluyse (appointed 09 January 2017)

H B Lingnau-Schneider (appointed 20 February 2017)

Third party indemnity provision

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these remain in force at the date of this report.

A SCHULMAN GAINSBOROUGH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017 (continued)

Research and development

The company doesn't have a formal research and development investment programme. There was no expenditure on research and development in the year (2016: £nil).

Employees

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Health and safety

The company is committed to ensuring the safety of its employees, our customers and communities. As a global, socially responsible corporate citizen, we will conduct our business with the highest ethical and legal standards. To achieve these goals A Schulman will continue to:

- Comply with applicable environmental, health and safety regulations, laws and A Schulman standards.
- Establish systems and set corporate goals that seek continuous improvement.
- Integrate safety and environmental standards into key business decisions.

Political and charitable donations

The Company made no political or charitable donations in the year (2016: £nil).

Disclosure of information to auditors

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

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she should have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

A SCHULMAN GAINSBOROUGH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017 (continued)

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102) 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 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 United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.


On behalf of the board

Director

Date: 16 April 2018

A SCHULMAN GAINSBOROUGH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A SCHULMAN GAINSBOROUGH LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, A Schulman Gainsborough Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

A SCHULMAN GAINSBOROUGH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A SCHULMAN GAINSBOROUGH LIMITED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Bound (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
17 April 2018

A SCHULMAN GAINSBOROUGH LIMITED

INCOME STATEMENT

| | | Year ended 31 August | |
|---|------|-----------------------------|-----------------------|
| | Note | 2017 £'000 | 2016 £'000 |
| Turnover | 5 | 35,097 | 31,328 |
| Cost of sales | | (30,490) | (26,444) |
| Gross profit | | 4,607 | 4,884 |
| Distribution costs | | (1,087) | (979) |
| Administrative expenses | | (2,192) | (2,560) |
| Operating profit | 6 | 1,328 | 1,345 |
| Income from shares in group undertakings | 7 | - | 2,000 |
| Profit on ordinary activities before interest and taxation | | 1,328 | 3,345 |
| Interest receivable and similar income | 9 | 8 | 24 |
| Interest payable and similar expenses | 9 | (3,613) | (5,003) |
| Net interest expense | 9 | (3,605) | (4,979) |
| Loss on ordinary activities before taxation | | (2,277) | (1,634) |
| Tax on loss on ordinary activities | 10 | 155 | 117 |
| Loss for the financial year | | (2,122) | (1,517) |

A SCHULMAN GAINSBOROUGH LIMITED
STATEMENT OF COMPREHENSIVE INCOME

| | Note | <u>Year ended 31 August</u> | |
|---|------|-----------------------------|-----------------------------|
| | | 2017 £'000 | 2016 £'000 |
| Loss for the financial year | | (2,122) | (1,517) |
| Other comprehensive income: | | | |
| Other comprehensive income | | - | - |
| Total comprehensive expense for the year | | (2,122) | (1,517) |

A SCHULMAN GAINSBOROUGH LIMITED

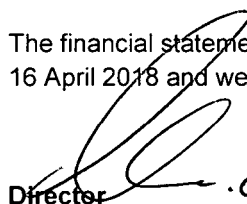
STATEMENT OF FINANCIAL POSITION

| | | As at 31 August | |
|---|------|-----------------|----------------|
| | Note | 2017 £'000 | 2016 £'000 |
| Fixed assets | | | |
| Intangible assets | 11 | 118 | 223 |
| Tangible assets | 12 | 1,370 | 1,452 |
| Investments | 13 | 25,410 | 25,410 |
| | | 26,898 | 27,085 |
| Current assets | | | |
| Inventory | 14 | 3,263 | 2,750 |
| Debtors | 15 | 12,932 | 14,105 |
| Cash at bank and in hand | | 116 | 1 |
| | | 16,311 | 16,856 |
| Creditors - amounts falling due within one year | 16 | (7,067) | (5,898) |
| Net current assets | | 9,244 | 10,958 |
| Total assets less current liabilities | | 36,142 | 38,043 |
| Creditors- amounts falling due after more than one year | 17 | (28,885) | (26,646) |
| Provisions for other liabilities | 19 | (5) | (23) |
| Net assets | | 7,252 | 11,374 |
| Capital and reserves | | | |
| Called-up share capital | 21 | 1,194 | 1,194 |
| Share premium account | | 2,896 | 2,896 |
| Retained earnings | | 3,162 | 7,284 |
| Total equity | | 7,252 | 11,374 |

The notes on pages 15 to 32 are an integral part of these financial statements.

The financial statements on pages 10 to 31 were authorised for issue by the board of directors on 16 April 2018 and were signed on its behalf

Director

 C. BRADLE

A Schulman Gainsborough Limited
Company registration number: 03261137

A SCHULMAN GAINSBOROUGH LIMITED
STATEMENT OF CHANGES IN EQUITY

| | Called up share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|--|---------------------------|-------------------------------|----------------|
| Balance as at 1 September 2015 | 1,194 | 2,896 | 8,801 | 12,891 |
| Loss for the financial year | - | - | (1,517) | (1,517) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive expense | - | - | (1,517) | (1,517) |
| Balance as at 31 August 2016 | 1,194 | 2,896 | 7,284 | 11,374 |
| Balance as at 1 September 2016 | 1,194 | 2,896 | 7,284 | 11,374 |
| Loss for the financial year | | | (2,122) | (2,122) |
| Other comprehensive income for the year | | | | |
| Total comprehensive expense | | | (2,122) | (2,122) |
| Dividend Paid | | | (2,000) | (2,000) |
| Balance as at 31 August 2017 | 1,194 | 2,896 | 3,162 | 7,252 |

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

A Schulman Gainsborough Limited's ('the company') principal activities are the provision of custom particle size reduction services for plastic and non-plastic materials and the manufacture and supply of polymer powder. The company also acts as a distributor of raw material polymer granules to the plastics industry. The company has a manufacturing plant in the UK and sells primarily to UK and Ireland. The address of the registered office is Sandars Road, Heapham Road Industrial Estate, Gainsborough, Lincolnshire, DN21 1RZ.

2. Statement of compliance

The individual financial statements of A Schulman Gainsborough Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 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 in note 4.

(b) Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company A Schulman Inc. The directors have received confirmation that A Schulman Inc intends to support the company for at least one year after these financial statements are signed.

The company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. 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 facilities. 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.

(c) Exemptions for qualifying entities under FRS 102

Cash flow statement and related party disclosures

The company is included in the consolidated financial statements of A Schulman Europe International BV, which are publically available. Consequently, as the company is a 100% owned subsidiary, the company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, A Schulman Inc., includes the company's cash flows in its own consolidated financial statements.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of significant accounting policies (continued)

The Company has taken advantage of the exemption, under FRS 102 paragraph 26.18(b), 26.19 to 26.21 and 26.23, concerning group equity instruments and has not disclosed the share-based payments of any director as they are share-based payment arrangements which concern equity instruments of the Schulman group entity. Equivalent disclosures have been made in the groups consolidated financial statements.

(d) Foreign currency

(i) *Functional and presentation currency*

The company's functional and presentation currency is the pound sterling.

(ii) *Transactions and balances*

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary items measured at historical costs are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Finance income / (expense)'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating gains / (losses)'.

(e) Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes. The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

(i) *Sale of goods*

The company shall recognise revenue from the sale of goods when all the following conditions are satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
- and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) *Rendering of services*

The company shall recognise revenue from the performance of a service when the service has been fully completed.

(iii) *Interest income*

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Interest income is recognised using the effective interest rate method.

3. Summary of significant accounting policies (continued)

(f) Consolidated financial statements

The financial statements contain information about A Schulman Gainsborough 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 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, A Schulman Inc, a company incorporated in the United States of America (see note 24).

(g) Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

(h) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognized as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the income statement when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(i) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of significant accounting policies (continued)

(i) Taxation (continued)

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(j) Group relief

Group relief is surrendered to/received from other group companies for no consideration.

In specific circumstances, individual group companies may reach agreement between themselves to surrender and/or receive group relief for consideration within the tax on profit on ordinary activities with the Income Statement.

Should group relief be surrendered to/received from other group companies for consideration, the consideration paid will reflect, at a minimum, the corporation tax amounts surrendered and/or received. These amounts are reported as expenses or benefits within the tax on (loss)/profit on ordinary activities within 'Retained earnings'.

On a discretionary basis, group companies, may agree to compensate for amounts in excess of the corporation tax amounts surrendered and/or received. In this instance, the excess over the corporation tax amount is shown as a separate movement within the 'Retained earnings' reserve on the Statement of Financial Position.

(k) Dividend income

Dividend income is recognised when the right to receive payment is established.

(l) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under the FRS 102 section 18 and 19, goodwill arising on acquisitions has been capitalised and is being amortised over 20 years, being the period expected to benefit. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the Income Statement.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of significant accounting policies (continued)

(m) Tangible assets

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended use.

(i) Land and buildings

Land and buildings include freehold manufacturing sites and offices. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Plant and machinery and fixtures, fittings, tools and equipment

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Freehold land is not depreciated. The fixed assets have been depreciated on a straight line basis at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its expected useful economic life in the company's business, and the rates are as follows:

| | |
|---|------------------|
| Freehold land and buildings | - 20 to 30 years |
| Plant and machinery | - 4 to 10 years |
| Fixtures, fittings and computer equipment | - 10 years |
| Motor vehicles | - 3 years |

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognized. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

(vi) De-recognition

Tangible assets are derecognized on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognized in profit or loss and included in 'Other operating (losses)/gains'.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of significant accounting policies (continued)

(n) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

(o) Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

(p) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognized as an expense in the period in which the related revenue is recognized.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity). At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the impairment charge is recognized in the Income Statement.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid intercompany balances with a maturity of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(r) Impairment of non-financial asset

At each Statement of Financial Position date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized in the Income Statement, unless the asset has been revalued when the amount is recognized in other comprehensive income to the extent of any previously recognized revaluation. Thereafter any excess is recognized in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior periods. A reversal of an impairment loss is recognized in the Income Statement.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of significant accounting policies (continued)

(s) Provisions and contingencies

(i) Provisions

Provisions are recognized when the company 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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(a) Restructuring provisions are recognized when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

(b) Provision is not made for future operating losses.

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 recognized as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognized when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognized. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Distributions to equity holders

Dividends and other distributions to company's shareholders are recognized as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognized in the Statement of Changes in Equity.

(v) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of significant accounting policies (continued)

(w) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

The Company only enters into basic financial assets, including trade and other receivables and cash and bank balances. These are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortized cost using the effective interest method.

At the end of each reporting period financial assets measured at amortized cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognized the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognized. The impairment reversal is recognized in profit or loss.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and balances due to from fellow group companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

4. Critical accounting judgements and estimation uncertainty

In applying the accounting policies detailed above, decisions sometimes have to be made as to the likely outcome of future events. Those judgements and estimates made in preparing the financial statements are based on historical experience and assumptions that the directors believed were reasonable in the circumstances.

(i) 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 utilization and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

(ii) Inventory provisioning

The Company manufactures and sells polymer powder for use in a wide variety of applications in the plastics industry. 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 sale ability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The Company 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 net carrying amount of the debtors and associated impairment provision.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Turnover

| Analysis of turnover by geography | 2017 £'000 | 2016 £'000 |
|-----------------------------------|---------------|---------------|
| United Kingdom | 29,683 | 28,078 |
| Rest of Europe | 5,208 | 3,180 |
| Rest of World | 206 | 70 |
| | 35,097 | 31,328 |

| Analysis of turnover by nature | 2017 £'000 | 2016 £'000 |
|--------------------------------|---------------|---------------|
| Sales of goods | 34,512 | 30,850 |
| Rendering of services | 585 | 478 |
| | 35,097 | 31,328 |

6. Operating profit

Operating profit is stated after charging/(crediting):

| | Note | 2017 £'000 | 2016 £'000 |
|--------------------------|------|---------------|---------------|
| Wages and salaries | | 2,248 | 2,123 |
| Social security costs | | 218 | 208 |
| Other pension costs | 26 | 186 | 162 |
| Total staff costs | | 2,652 | 2,493 |

| | | | |
|---|--|--------|--------|
| Operating lease charges | | | |
| - Plant and machinery | | 54 | 51 |
| - Other | | 25 | 25 |
| Depreciation of tangible fixed assets | | | |
| - Owned assets | | 233 | 237 |
| Amortisation of intangible assets | | 105 | |
| Foreign exchange (gain)/loss | | 37 | 499 |
| Audit fees payable to the company's auditor | | 5 | 32 |
| Impairment of trade debtors | | (5) | 7 |
| Inventory recognised as an expense | | 29,979 | 25,389 |
| Impairment of inventory (included in cost of sales) | | - | 1 |

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Operating profit (continued)

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditor for 'Other services' as this information is included in the consolidated financial statements of A Schulman Inc.

Administrative expenses included corporate recharges of £684,417 (2016: £593,194).

7. Income from group undertakings

The company didn't receive a dividend from a subsidiary company in the current year, (2016: A. Schulman Thermoplastic Compounds Limited of £2,000,000 on 11 January 2016).

8. Employees and directors

Employees

Average monthly number of persons employed (including directors) by the Company during the year was:

| By activity | 2017 Number | 2016 Number |
|----------------|----------------|----------------|
| Production | 58 | 56 |
| Administration | 23 | 20 |
| | 81 | 76 |

| Directors | 2017 £'000 | 2016 £'000 |
|------------|---------------|---------------|
| Emoluments | 83 | 0 |

Number of directors in company pension schemes

| | | |
|------------------------|---|---|
| Money purchase schemes | 1 | 1 |
|------------------------|---|---|

The aggregate emoluments of the directors during the year were £83k (2016: £nil).

C. Cluyse, H. Lingnau, D. Johnson, I. Casimero and F. Roederer did not receive any emoluments for the company in respect of their services to the company. Their costs were paid by a parent undertaking and, under the rules of an intercompany service recharge agreement, a portion of these costs have been recharged to the company. Total company contributions to a defined contribution pension scheme in respect of directors was £6,953 (2016: £nil). The number of directors accruing benefits under the defined contribution pension scheme is 1 (2016: nil).

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Net interest expense

| | | |
|--|----------------|----------------|
| Interest receivable and similar income | 2017 | 2016 |
| | £'000 | £'000 |
| Interest receivable from group undertakings | 8 | 24 |
| Total interest receivable and similar income | 8 | 24 |
| Interest payable and similar expenses | 2017 | 2016 |
| | £'000 | £'000 |
| Net exchange differences on foreign exchange currency borrowings | (2,251) | (3,767) |
| Interest payable to group undertakings | (1,362) | (1,236) |
| Total interest payable and similar expenses | (3,613) | (5,003) |
| Net interest expense | 2017 | 2016 |
| | £'000 | £'000 |
| Total interest receivable and similar income | 8 | 24 |
| Total interest payable and similar charges | (3,613) | (5,003) |
| Net interest expense | (3,605) | (4,979) |

10. Tax on the loss on ordinary activities

(a) Tax expense included in the Income Statement

| | | |
|--|--------------|--------------|
| | 2017 | 2016 |
| | £'000 | £'000 |
| Current tax | | |
| UK corporation tax on losses of the year | - | (50) |
| Adjustment in respect of previous periods | (136) | (64) |
| Total current tax | (136) | (114) |
| Deferred tax | | |
| Origination and reversal of timing differences | (8) | (9) |
| Impact of changes in tax rates | (1) | - |
| Adjustment in respect of previous periods | (10) | 6 |
| Total deferred tax (note 19) | (19) | (3) |
| Tax on loss on ordinary activities | (155) | (117) |

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Tax on the loss on ordinary activities (continued)

(b) Reconciliation of tax credit

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK 19.58% (2016: 20.00%). The differences are outlined below:

| | 2017 £'000 | 2016 £'000 |
|--|----------------|----------------|
| Loss on ordinary activities before taxation | (2,277) | (1,634) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK 19.58% (2016: 20.00%) | (445) | (327) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 22 | 21 |
| Accelerated capital allowances and other timing differences | 10 | 9 |
| Income not taxable (dividend received) | 0 | (400) |
| Group relief surrendered | 413 | 647 |
| Movement in deferred tax accounts | (9) | (9) |
| Adjustments in respect of previous periods | (146) | (58) |
| Tax credit for the year | (155) | (117) |

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 19.58% (2016: 20.00%).

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible assets

| | Goodwill £'000 |
|---------------------------------|-------------------|
| Cost | |
| At 1 September 2015 | 2,000 |
| Accumulated amortisation | |
| At 1 September 2016 | 1,777 |
| Charge for the year | 105 |
| At 31 August 2017 | 1,882 |
| Net book value | |
| At 31 August 2017 | 118 |
| At 31 August 2016 | 223 |

12. Tangible assets

| | Freehold land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and computer equipment £'000 | Motor Vehicles £'000 | Assets under Construction £'000 | Total £'000 |
|---------------------------------|--|---------------------------------|---|----------------------------|---------------------------------------|----------------|
| Cost | | | | | | |
| At 1 September 2016 | 2,690 | 5,668 | 277 | 6 | 2 | 8,643 |
| Additions | - | 10 | - | - | 141 | 151 |
| At 31 August 2017 | 2,690 | 5,678 | 277 | 6 | 143 | 8,794 |
| Accumulated depreciation | | | | | | |
| At 1 September 2016 | 1,802 | 5,134 | 249 | 6 | - | 7,191 |
| Charge for the year | 75 | 150 | 8 | - | - | 233 |
| Disposals | - | - | - | - | - | - |
| At 31 August 2017 | 1,877 | 5,284 | 257 | 6 | - | 7,424 |
| Net book value | | | | | | |
| At 31 August 2017 | 813 | 394 | 20 | - | 143 | 1,370 |
| At 31 August 2016 | 888 | 534 | 28 | - | 2 | 1,452 |

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Investments

| | Subsidiary undertakings £'000 |
|--|-------------------------------------|
| Net book value | |
| As at 31 August 2017 and 31 August 2016 | 25,410 |

The directors believe that the carrying value of the investments is supported by their underlying net assets. The company's subsidiaries were as follows:

| | Incorporated in | Share Class | Percentage held | Activity |
|--|--------------------|-------------|--------------------|--|
| A Schulman Thermoplastic Compounds Limited | UK | Ordinary | 100% | The compounding of PVC, engineering and thermoplastic polymers |

A Schulman Thermoplastic Compounds Limited is incorporated in England. Address: 1 Kingsland Grange, Woolston, Warrington, Cheshire, WA1 4RA. During the year dividends of £nil (2016: £2,000,000) were received from A Schulman Thermoplastic Compounds Limited.

14. Inventory

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 1,401 | 1,186 |
| Finished goods and goods for resale | 1,862 | 1,564 |
| | 3,263 | 2,750 |

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of £8,000 (2016: £3,000).

15. Debtors

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 6,850 | 6,390 |
| Amounts owed by group undertakings | 205 | 202 |
| Amounts owed by group undertakings | 5,623 | 7,202 |
| Corporation tax recoverable | - | 44 |
| Prepayments and accrued income | 254 | 267 |
| | 12,932 | 14,105 |

Trade debtors are stated after provision for impairment of £11,000 (2016: £6,000). Amounts owed by the group undertakings are unsecured, interest free and are payable on demand.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16. Creditors: amounts falling due within one year

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|---------------|
| Trade creditors | | 4,836 | 3,363 |
| Amounts owed to group undertakings | | 619 | 326 |
| Amounts owed to group undertakings - Intercompany loan | 17 | 1,079 | 1,528 |
| Corporation tax payable | | 2 | - |
| Other taxation and social security | | 284 | 483 |
| Accruals and deferred income | | 247 | 198 |
| | | 7,067 | 5,898 |

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

17. Creditors: amounts falling due after more than one year

| | Note | 2017 £'000 | 2016 £'000 |
|---|------|---------------|---------------|
| Amounts falling due between one and five years | | | |
| Government grants | 18 | 5 | 17 |
| Amounts owed to group undertakings | | 28,880 | 26,629 |
| | | 28,885 | 26,646 |

The amounts owed to group undertakings are denominated in Euros and are secured under a long term loan agreement with A Schulman Holdings SARL (Luxembourg). Repayment on the loan is due 16 July 2025. Interest is payable at 5% per annum (2016: 5%).

18. Government Grant

| | |
|----------------------------|--------------|
| Government grant | £'000 |
| At 1 September 2016 | 17 |
| Credit to Income Statement | (12) |
| At 31 August 2017 | 5 |

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Deferred tax liability

| | 2017 £'000 | 2016 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 17 | 39 |
| Pension timing differences | (2) | (2) |
| Other timing differences | (10) | (14) |
| Deferred tax | 5 | 23 |

Provision for deferred taxation

| | £'000 |
|----------------------------|----------|
| At 1 September 2016 | 23 |
| Charge to Income Statement | (18) |
| Impact of rate change | (1) |
| At 31 August 2017 | 4 |

20. Financial instruments

The Company has the following financial instruments

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|---------------|
| Financial assets that are debt instruments measured at amortised cost | | | |
| Trade Debtors | | 6,850 | 6,390 |
| Amounts owed by group undertakings | | 205 | 202 |
| Amounts owed by group undertakings – Intercompany Loan | | 5,623 | 7,202 |
| Cash | | 116 | 1 |
| Total | | 12,794 | 13,795 |
| Financial liabilities measured at amortised cost | | | |
| Trade creditors | | 4,836 | 3,363 |
| Amounts owed to group undertakings | | 619 | 326 |
| Amounts owed to group undertakings – Intercompany loan | | 29,959 | 28,157 |
| Total | | 35,414 | 31,846 |

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. Called up share capital

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Allotted and fully paid | | |
| £1,193,906 (2016: 1,193,906) ordinary shares of £1 | 1,194 | 1,194 |

22. Capital and other commitments

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Contracts authorised for future capital expenditure not provided in the financial statements | - | - |

The Company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

| | 2017 £'000 | 2016 £'000 |
|--------------------------|---------------|---------------|
| Within one year | 67 | 61 |
| Within two to five years | 95 | 59 |
| | 162 | 120 |

The Company has no other off-balance sheet arrangements.

23. Related party transactions

The Company is exempt from disclosing transactions with members of the group headed by A Schulman Inc. that are wholly owned within the group.

Key management, in addition to the directors, include a number of senior managers who have the authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was £186,000 (2016: £195,000).

24. Controlling parties

The immediate parent undertaking is A Schulman Europe International BV whose registered office is Mijlweg 7, s-Gravendeel NL 3295 KG, The Netherlands.

The ultimate parent undertaking and controlling party is A Schulman Inc. which is the largest and smallest group to consolidate these financial statements. The company is incorporated in the United States of America and its common stock is listed on the NASDAQ stock exchange. Copies of the financial statements of the ultimate parent company are publically available and can be obtained from its headquarters at A Schulman Inc, West Market Street, Akron, Ohio 44333, USA.

A SCHULMAN GAINSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25. Contingent liabilities

In the opinion of the directors, there were no material contingent liabilities or commitments requiring disclosure.

26. Post-employment benefits

The Company provides a group personal pension arrangement for its employees. The amount recognised as an expense for this defined contribution arrangement was £186,000 (2016: £162,000). There was an amount of £33,000 outstanding at the year-end (2016: £20,000).