Nylacast Holdings Limited

Annual report and consolidated financial statements

Registered number 05994595

31 December 2017

Contents

Company information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Nylacast Holdings Limited	6
Consolidated profit and loss account	8
Consolidated balance sheet	10
Company balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated cash flow statement	14
Notes	15

Company information

Registered office:	One Eleven Edmund Street Birmingham B3 2HJ
Directors:	M Mahomed D R Mintrim P J Williamson
Secretary:	Gateley Secretaries Limited One Eleven Edmund Street Birmingham B3 2HJ
Bankers:	Santander UK Plc Leicester Corporate Centre Carlton Park Building 4, Level 1 Narborough Leicestershire LE19 0AL
Solicitors:	Gateley LLP One Eleven Edmund Street Birmingham B3 2HJ
Auditor:	KPMG LLP Registered Auditor Chartered Accountants 1 Waterloo Way Leicester LE1 6LP

Strategic report

Business review

The Directors are pleased to report a 24.6% increase in Group turnover compared to the previous year, together with maintaining the strong underlying profitability of the Group. The gross margin percentage of 46.8% represents a reduction over the previous year's gross margin of 49.9% primarily due to pricing pressures. Operating profit of £5.3 million before exceptional costs represents a substantial increase in operating margin to 12% from 8.5% in the prior year.

During the course of the year, the Group completed a major UK site consolidation project which enabled further improvement on the process efficiencies implemented in previous years.

In the year, the Group maintained the quality standards TS16949, ISO9001 and ISO29001, which underlines the commitment to achieving the highest level of quality in all its operations; and, in addition, maintained the ISO 14001 Environmental certification for all UK sites.

Financing facility

On 10th July 2018 there was a significant change in ownership of the Group. Cavendish Square Partners disinvested their shareholding. The new majority shareholder and controlling party is Equistone Partners Europe. The outstanding loans with Santander were settled and new financing facilities were put in place with HSBC.

The Directors have produced a five year plan for the Nylacast Holdings Group, which supports the Group's vision for future growth and profitability.

Tax losses

The UK trading company, Nylacast Limited has accumulated significant trading tax losses in prior years. The company's current and forecast future profitability indicates that it is appropriate to recognise the deferred tax asset in relation to these past tax losses. Accordingly, a significant tax credit of £4.2 million was recognised in the 2013 financial statements.

In the year to 31 December 2017, £3.7 million *(2016: £3.5 million)* of these brought forward losses were offset against current year profits contributing to a deferred tax charge of £0.4 million *(2016: £0.8 million)*.

Principal risks and uncertainties

The Group's risks during the course of the year have principally been associated with external factors, which include, but are not limited to, strength of market demand for products in the key market sectors of construction, quarrying, agriculture mining, and automotive. Other risks have been associated with cost containment of both input materials and labour resource to the manufacturing process.

The Group continues to successfully pursue diversification in products, geographical markets and market sectors, thus seeking to reduce its reliance on specific areas. In addition, lean manufacturing techniques continue to be used to generate a lower cost base and maintain a competitive environment in which materials are purchased.

Key Performance Indicators

Execution of business activities across the Group are measured against a series of key performance indicators, focusing upon sales revenue and gross profit %, operating profit, cash flow and borrowings. Management focus is then given to performance delivered by each of the KPIs, in addition to customer, sector and geographical analysis.

Research and development

The Group continues to invest resources in research and development in order to maintain and enhance its intellectual property, market position and product capability; in so doing, the Group is able to improve existing products and introduce new products and processes.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Exchange rate risk

The Group is exposed to both translation and transaction impacts due to changes in foreign exchange rates. These risks principally relate to the US Dollar/Sterling, Chinese Yuan Renminbi/Sterling and Euro/Sterling rates. The results of overseas businesses are translated into Sterling at average exchange rates and the net assets of overseas businesses are translated into Sterling at year end exchange rates.

Transaction risk arises where revenues or costs are denominated in a currency other than Sterling. This risk principally relates to the US Dollar and the Euro exchange rates with Sterling. There is a partial natural hedge with the Euro arising from revenues and purchases denominated in Euro. During the year, the Company was exposed to movements in the US Dollar rate.

Payment of suppliers

The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

By order of the board

M Mahomed
Director

One Eleven
Edmund Street
Birmingham
B3 2HJ

Date: 24 September 2018

Directors' report

The directors present their report together with financial statements for the year ended 31 December 2017.

Principal activity

Nylacast Holdings Limited is the ultimate parent company of a group principally engaged in the development, manufacture and distribution of engineered nylon components.

Proposed dividend

The directors do not recommend the payment of a dividend *(2016: £nil)*.

Directors and directors' interests

The directors who held office during the period were as follows:

M Mahomed
P J Williamson
D R Mintrim

Political and charitable contributions

The Group made no political contributions during the period *(2016: £nil)*. Donations to UK charities amounted to £7,955 *(2016: £850)*.

Employees

The companies within the Group have continued the practice of keeping employees informed on matters affecting them as employees and the financial and economic factors affecting the performance of the Group. This has been achieved through consultations with all employees via newsletters and meetings.

In April 2016, there was an accident on one of our machines, and unfortunately one of our colleagues suffered injuries, and very sadly, later died in hospital. A recent inquest has ruled that the cause of death was accidental, and we continue to fully support the Health and Safety Executive (HSE) as their investigations continue.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitude and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

It is the policy of the Group that training, career development and promotional opportunities should be available to all employees.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed, and KPMG LLP will therefore continue in office.

By order of the board

M Mahomed
Director

One Eleven
Edmund Street
Birmingham
B3 2HJ

Date: 24 September 2018

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

Independent auditor's report to the members of Nylacast Holdings Limited

Opinion

We have audited the financial statements of Nylacast Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated profit and loss account, the consolidated other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

KPMG

Independent auditor's report to the members of Nylacast Holdings Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

L M De Lucchi

Louise De Lucchi *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

Dated: 27 September 2018

Consolidated profit and loss account
for the year ended 31 December 2017

	Note	Continuing Activities Before Exceptional Costs 2017 £000	Exceptional Costs 2017 £000 (note 3)	Total 2017 £000	Continuing activities before exceptional costs 2016 £000	Exceptional costs 2016 £000 (note 3)	Total 2016 £000
Turnover	*2*	**44,161**	**-**	**44,161**	35,444	-	35,444
Cost of sales		**(23,503)**	**-**	**(23,503)**	(17,699)	(49)	(17,748)
Gross profit		**20,658**	**-**	**20,658**	17,745	(49)	17,696
Distribution costs		**(1,215)**	**-**	**(1,215)**	(1,407)	(39)	(1,446)
Administrative expenses		**(7,936)**	**(1,106)**	**(9,042)**	(7,380)	(621)	(8,001)
Other operating expenses		**(6,225)**	**(166)**	**(6,391)**	(5,215)	(155)	(5,370)
Amortisation of goodwill	*9*	**-**	**-**	**-**	(742)	-	(742)
Group operating profit		**5,282**	**(1,272)**	**4,010**	3,001	(864)	2,137
Other interest receivable and similar income	*6*	**8**	**-**	**8**	105	-	105
Interest payable and similar charges	*7*	**(247)**	**-**	**(247)**	(285)	-	(285)
Profit before taxation		**5,043**	**(1,272)**	**3,771**	2,821	(864)	1,957
Tax on profit	*8*	**(465)**	**-**	**(465)**	(794)	-	(794)
Profit for the financial year		**4,578**	**(1,272)**	**3,306**	2,027	(864)	1,163
Other comprehensive income							
Foreign exchange differences on translation of foreign operations		**(77)**	**-**	**(77)**	316	-	316
Total comprehensive income for the year		**4,501**	**(1,272)**	**3,229**	2,343	(864)	1,479
Profit or loss attributable to							
Shareholders of the parent company		**4,573**	**(1,272)**	**3,301**	2,027	(864)	1,163
Non-controlling interest		**5**	**-**	**5**	-	-	-
Total profit or loss		**4,578**	**(1,272)**	**3,306**	2,027	(864)	1,163
Total comprehensive income							
Shareholders of the parent company		**4,495**	**(1,272)**	**3,223**	2,328	(864)	1,464
Non-controlling interest		**6**	**-**	**6**	15	-	15
Total comprehensive income		**4,501**	**(1,272)**	**3,229**	2,343	(864)	1,479

Consolidated other comprehensive income
for year ended 31 December 2017

	Note	2017 £000	2016 £000
Profit for the year		**3,306**	1,163
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		**(77)**	316
Total comprehensive income for the year, net of income tax		**3,229**	1,479
Total comprehensive income for the year			
Total comprehensive income attributable to			
Shareholders of the parent company		**3,223**	1,464
Non-controlling interest		**6**	15
		3,229	1,479

Consolidated balance sheet
at 31 December 2017

	Note	**2017** £000	**2017** £000	2016 £000	2016 £000
Fixed assets					
Goodwill	*9*		-		-
Tangible assets	*10*		**11,218**		10,854
			11,218		10,854
Current assets					
Stocks	*12*	**4,983**		4,224	
Debtors (including £422,000 *(2016: £800,000)* due after more than one year)	*13*	**10,976**		10,153	
Cash at bank and in hand	*14*	**4,910**		5,027	
		20,869		19,404	
Creditors: amounts falling due within one year	*15*	**(9,358)**		(9,155)	
Net current assets			**11,511**		10,249
Total assets less current liabilities			**22,729**		21,103
Creditors: amounts falling due after more than one year	*16*		**(3,546)**		(5,839)
Provision for liabilities and charges	*17*		**(690)**		-
Net assets			**18,493**		15,264
Capital and reserves					
Called up share capital	*21*		**471**		471
Share premium account			**28,702**		28,702
Profit and loss account			**(10,744)**		(13,967)
Equity attributable to the parent's shareholders			**18,429**		15,206
Non-controlling interest			**64**		58
Shareholders' funds			**18,493**		15,264

These financial statements were approved by the board of directors on 24 September 2018 and were signed on its behalf by:

M Mahomed
Director

Company registered number: 05994595

Company balance sheet
at 31 December 2017

	Note	2017		2016	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*11*		**28,675**		28,675
Current assets					
Debtors (including £nil *(2016: £nil)* due after more than one year)	*13*	**373**		373	
Net current assets			**373**		373
Net assets			**29,048**		29,048
Capital and reserves					
Called up share capital	*21*		**471**		471
Share premium account			**28,702**		28,702
Profit and loss account			**(125)**		(125)
Shareholders' funds			**29,048**		29,048

These financial statements were approved by the board of directors on 24 September and were signed on its behalf by:

M Mahomed
Director

Company registered number: 05994595

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total share-holder's equity £000	Non-Controlling interests £000	Total equity £000
Balance at 1 January 2016	471	28,702	(15,470)	13,703	132	13,835
Total comprehensive income for the period						
Profit	-	-	1,163	1,163	-	1,163
Foreign exchange differences on retranslation of foreign operations	-	-	301	301	15	316
Total comprehensive income for the period	-	-	1,464	1,464	15	1,479
Change in parent interest in subsidiary	-	-	89	89	(89)	-
Purchase of own shares	-	-	(50)	(50)	-	(50)
Balance at 31 December 2016	**471**	**28,702**	**(13,967)**	**15,206**	**58**	**15,264**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total share-holder's equity £000	Non-Controlling interests £000	Total equity £000
Balance at 1 January 2017	471	28,702	(13,967)	15,206	58	15,264
Total comprehensive income for the period						
Profit	-	-	3,301	3,301	5	3,306
Foreign exchange differences on retranslation of foreign operations	-	-	(78)	(78)	1	(77)
Total comprehensive income for the period	-	-	3,223	3,223	6	3,229
Balance at 31 December 2017	**471**	**28,702**	**(10,744)**	**18,429**	**64**	**18,493**

Company statement of changes in equity

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2016	471	28,702	(75)	29,098
Total comprehensive income for the period				
Profit	-	-	-	-
Purchase of own shares	-	-	(50)	(50)
Balance at 31 December 2016	**471**	**28,702**	**(125)**	**29,048**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2017	471	28,702	(125)	29,048
Total comprehensive income for the period				
Profit	-	-	-	-
Balance at 31 December 2017	**471**	**28,702**	**(125)**	**29,048**

Consolidated cash flow statement

for year ended 31 December 2017

	Note	2017	2016
		£000	£000
Cash flows from operating activities			
Profit for the year		**3,306**	1,163
Adjustments for:			
Depreciation and amortisation		**1,547**	2,112
Interest receivable and similar income		**(8)**	(105)
Interest payable and similar charges		**247**	285
Gain on sale of tangible fixed assets		**(44)**	(9)
Amortisation of finance costs		**161**	97
Foreign exchange		**(144)**	314
Taxation		**465**	794
		5,530	4,651
Increase in trade and other debtors		**(1,242)**	(629)
Increase in stocks		**(759)**	(827)
Increase in trade and other creditors		**2,210**	1,744
		209	288
Tax paid		**(33)**	-
Net cash from operating activities		**5,706**	4,939
Cash flows from investing activities			
Proceeds from sale of fixed assets		**1,320**	33
Interest received		**7**	6
Acquisition of tangible fixed assets		**(3,308)**	(3,939)
Net cash from investing activities		**(1,981)**	(3,900)
Cash flows from financing activities			
Proceeds from new loan		**-**	1,964
Interest paid		**(264)**	(285)
Repayment of borrowings		**(3,578)**	(1,000)
Purchase of own shares		**-**	(50)
Net cash from financing activities		**(3,842)**	629
Net increase in cash and cash equivalents		**(117)**	1,668
Cash and cash equivalents at 1 January		**5,027**	3,359
Cash and cash equivalents at 31 December		**4,910**	5,027

Notes
(forming part of the financial statements)

1 Accounting policies

Nylacast Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 05994595 and the registered address is One Eleven, Edmund Street, Birmingham, B3 2HJ

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2016. The amendments to FRS 102 issued in July 2014 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Group/Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments are measured in accordance with the revaluation model.

1.2. Going concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The financial position of the Company, liquidity position and borrowing facilities are described in the notes to the accounts.

The Nylacast Holdings Group has a five year financing facility that provides the resources to fund its planned growth and expansion. The facility is due for renewal on 30 September 2020. The Directors have produced a five year plan for the Nylacast Holdings Group, which supports the Group's vision for future growth and profitability.

The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future.

Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, are carried at cost less impairment.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7. Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

1.8. Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The Group and Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation is charged as follows:

Freehold buildings	2% straight line
Improvement to leasehold buildings	10% - 20% reducing balance
Plant and equipment	20% reducing balance
Motor vehicles	25% reducing balance

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Assets under construction are depreciated from the date that they come into operational use.

1.9. Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10. Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

1.11. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.12. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13. Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Own shares held by Employee Benefit Trust

Transactions of the Company-sponsored Employee Benefit Trust are treated as being those of the Company and are therefore reflected in the company and group financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

1.14. Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15. Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to customers. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the customer.

For long term contracts revenue is recognised by reference to the stage of completion of the contract at the end of the reporting period.

1.16. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.17. Exceptional costs

Costs that are material to the profit and loss account by way of their size or nature are separately disclosed as exceptional costs. It is considered that the presentation of the operating profit would be distorted without separately identifying such expenditure.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2 Turnover

	2017	2016
	£000	£000
Sale of goods	**44,161**	35,444
Total turnover	**44,161**	35,444

The Directors have not provided an analysis by activity as it is considered to be commercially sensitive information.

	2017	2016
	£000	£000
By geographical area:		
United Kingdom	**6,515**	5,630
North America	**4,211**	3,932
Europe	**8,540**	8,395
Asia	**22,083**	15,521
Rest of World	**2,812**	1,966
	44,161	35,444

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Amortisation of goodwill	-	742
Foreign exchange gain	(57)	(553)

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	74	66
Amounts receivable by the company's auditor and its associates in respect of:		
Disclosures below based on amounts payable by the company and its subsidiaries		
Taxation compliance services	11	12
Other tax advisory services	7	14

The audit fees are borne by Nylacast Limited.

	2017 £000	2016 £000
Exceptional costs:		
Legal costs in relation to long rod machine incident	130	139
Establishment of operations in China	-	725
Site consolidation costs	490	-
Profit on sale of property	(38)	-
Customer and legal claims	690	-
	1,272	864

The site consolidation costs relate to a major site move completed during the year, a number of locations are now consolidated onto one main site enabling greater efficiency across the business. Provisions relate to various legal claims currently in negotiation. Whilst both the amount and timing are uncertain management have made provision based on their best estimate with all available information to them. It is anticipated that settlement will be within one year of signing the accounts.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Directors	**3**	4
Administration and sales	**58**	55
Production	**465**	446
	526	505

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	**12,685**	11,238
Social security costs	**1,148**	952
Contributions to defined contribution plans	**327**	282
	14,160	12,472

Notes *(continued)*

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	**370**	347
Company contributions to money purchase pension plans	**73**	71
Amounts paid to third parties in respect of directors' services	**72**	72

The aggregate emoluments of the highest paid director was £197,000 *(2016: £196,000)* and company pension contributions of £73,000 *(2016: £66,000)* were made to a money purchase scheme on behalf of the highest paid director.

The emoluments of the directors are borne by Nylacast Limited and Nylacast SA (Pty) Limited.

	Number of directors 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	3

6 Other interest receivable and similar income

	2017 £000	2016 £000
Net gain on financial assets measured at fair value through profit or loss	**1**	99
Interest receivable on financial assets at amortised cost	**7**	6
Total interest receivable and similar income	**8**	105

7 Interest payable and similar charges

	2017 £000	2016 £000
Interest payable on financial liabilities at amortised cost	**247**	285
Total other interest payable and similar charges	**247**	285

Interest payable and similar charges includes interest payable on bank loans and overdrafts of £247,000 *(2016: £276,000)*

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017		2016	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period		**43**		16
Total current tax		**43**		16
Deferred tax				
Origination and reversal of timing differences	**429**		569	
Change in tax rate	**-**		126	
Adjustment in respect of prior year	**(7)**		83	
Total deferred tax		**422**		778
Total tax		**465**		794

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit for the year	**3,306**	1,163
Total tax expense	**465**	794
Profit excluding taxation	**3,771**	1,957
Tax using the UK corporation tax rate of 19.25% *(2016: 20%)*	**726**	391
Reduction in tax rate on deferred tax balances	**(216)**	49
Non-deductible expenses	**134**	16
Deferred tax not recognised	**(32)**	(48)
Fixed assets differences	**(4)**	10
Other permanent differences	**-**	(2)
Other tax adjustments, reliefs and transfers	**(179)**	279
Foreign tax credits	**43**	16
Adjustment in respect of prior year deferred tax	**(7)**	83
Total tax expense included in profit or loss	**465**	794

From 1 April 2015 the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

Notes *(continued)*

9 Goodwill

Group	Goodwill £000	Total £000
Cost		
Balance at 1 January 2017	16,206	16,206
Balance at 31 December 2017	16,206	16,206
Amortisation and impairment		
Balance at 1 January 2017	16,206	16,206
Amortisation for the year	-	-
Balance at 31 December 2017	16,206	16,206
Net book value		
At 31 December 2017	-	-
At 31 December 2016	-	-

10 Tangible fixed assets

Group	Land and buildings £000	Leasehold property £000	Plant and equipment £000	Assets under construction £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 January 2017	1,615	411	16,533	1,719	60	20,338
Acquisitions	-	1,195	1,649	464	-	3,308
Disposals	(1,615)	(215)	(245)	-	-	(2,075)
Effect of movements in foreign exchange	-	(3)	(99)	(26)	-	(128)
Transfers	-	162	715	(877)	-	-
Balance at 31 December 2017	-	1,550	18,553	1,280	60	21,443
Depreciation and impairment						
Balance at 1 January 2017	340	285	8,808	-	51	9,484
Depreciation charge for the year	23	61	1,461	-	2	1,547
Disposals	(363)	(205)	(231)	-	-	(799)
Effect of movements in foreign exchange	-	(1)	(6)	-	-	(7)
Balance at 31 December 2017	-	140	10,032	-	53	10,225
Net book value						
At 31 December 2017	**-**	**1,410**	**8,521**	**1,280**	**7**	**11,218**
At 31 December 2016	1,275	126	7,725	1,719	9	10,854

Notes *(continued)*

11 Fixed asset investments

Company	Shares in group undertakings £000
Cost and net book value	
At beginning and end of year	28,675

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held by the group	Class and percentage of shares held by parent company
Nylacast Limited	England	Manufacturing	100% ordinary	100% ordinary
Nylacast Trustees Limited	England	Non-trading	100% ordinary	100% ordinary
Nylacast Overseas Holdings Limited	England	Holding company	100% ordinary	-
Nylacast Nylontechnics Limited	England	Dormant	100% ordinary	-
Nylacast Oilon Limited	England	Dormant	100% ordinary	-
Nylacast Technology Limited	Scotland	Dormant	100% ordinary	-
Nylacast Components Limited	Scotland	Dormant	100% ordinary	-
Nylacast USA Inc	United States	Holding company	100% ordinary	-
Nylacast LLC	United States	Distributor	100% ordinary	-
Nylacast (Shanghai) Trading Co. Ltd	China	Dormant	100% ordinary	-
Nylacast Engineering Plastics (Changshu) Co. Ltd	China	Manufacturing	100% ordinary	-
Nylacast SA (Proprietary) Limited	South Africa	Manufacturing	84% ordinary	-

Registered offices

Nylacast Limited, Nylacast Trustees Limited, Nylacast Overseas Holdings Limited, Nylacast Nylontechnics Limited, Nylacast Oilon Limited, Nylacast Technology Limited and Nylacast Components Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ
Nylacast USA Inc and Nylacast LLC	1349 Cumberland Street, Suite 10, Lebanon, PA 17042
Nylacast SA (Proprietary) Limited	P O Box 30445, Jet Park, Johannesburg
Nylacast (Shanghai) Trading Co. Limited	Unit 12-06M Platinum Tower, 233 Taicang Road, Huangpu District, 200120 Shanghai
Nylacast Engineering Plastics (Changshu) Co. Limited	10 Workshop, Maqiao Industrial Park, Maqiao Road, Changshu Economic and Technological Development Zone, Jiangsu

In March 2016, Nylacast SA (Pty) Limited entered into a share buy-back agreement with a third party non-controlling interest shareholder. Under this agreement the non-controlling interest shareholder's 39% shareholding in Nylacast SA (Pty) Limited was acquired by Nylacast SA (Pty) Limited, increasing the Group's effective shareholding to 84% from 51%.

Notes *(continued)*

12 Stocks

	Group	
	2017	2016
	£000	£000
Raw materials and consumables	**1,209**	899
Work in progress	**2,929**	2,577
Finished goods	**845**	748
	4,983	4,224

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £22,371,000 *(2016: £17,544,000)*. The write down of stocks to net realisable value amounted to £4,000 *(2016: £173,000)*. The write downs are included in cost of sales.

13 Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade debtors	**7,799**	6,686	**-**	-
Amounts owed by group undertakings	**-**	-	**373**	373
Other debtors	**1,147**	1,187	**-**	-
Deferred tax assets (note 18)	**1,153**	1,573	**-**	-
Other financial assets	**22**	21	**-**	-
Prepayments and accrued income	**855**	686	**-**	-
	10,976	10,153	**373**	373

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Due within one year	**10,554**	9,353	**373**	373
Due after more than one year	**422**	800	**-**	-
	10,976	10,153	**373**	373

The amounts due in over one year relate to deferred tax assets, which will reverse after a period of more than twelve months.

The other financial asset relates to forward currency contracts that recorded a gain of £22,000 *(2016: £21,000)* when fair valued at the balance sheet date.

All amounts owed by group undertakings are repayable on demand.

Notes *(continued)*

14 Cash and cash equivalents

Group	2017 £000	2016 £000
Cash at bank and in hand	**4,910**	5,027
Cash and cash equivalents per cash flow statements	**4,910**	5,027

15 Creditors: amounts falling due within one year

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Bank loans and overdrafts (note 17)	**1,851**	2,888	-	-
Trade creditors	**5,447**	4,278	-	-
Taxation and social security	**596**	271	-	-
Other creditors	**401**	527	-	-
Accruals and deferred income	**1,063**	1,191	-	-
	9,358	9,155	-	-

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Bank loans and overdrafts (note 17)	**3,271**	5,839	-	-
Accruals and deferred income	**275**	-	-	-
	3,546	5,839	-	-

17 Provisions for liabilities and charges– other provisions

	Group
	Customer and legal claims £000
At 1 January 2017	-
Charged in the year.	**690**
At 31 December 2017	**690**

Provisions relate to various legal and customer claims currently in negotiation. Whilst both the amount and timing are uncertain management have made provision based on their best estimate with all available information to them. It is anticipated that settlement will be within one year of signing the accounts. The company has no provisions (2016; £nil).

Notes *(continued)*

18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Creditors falling due after more than one year				
Secured bank loans	**3,271**	5,839	-	-
	3,271	5,839	-	-
Creditors falling due within one year				
Secured bank loans	**1,851**	2,888	-	-
	1,851	2,888	-	-

The bank loans and overdrafts are secured by way of debentures and cross corporate guarantees between Nylacast Limited, Nylacast Holdings Limited, Nylacast Overseas Holdings Limited and Nylacast Trustees Limited.

Terms and debt repayment schedule

Group	**Currency**	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2017**	2016
					£000	£000
Santander loan	GBP	Libor+2.5%	2020	Quarterly	**3,561**	6,010
Santander facility	US$	Libor+2.5%	2020	Quarterly	**1,561**	2,717
					5,122	8,727

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	-	-	**(185)**	(233)	**(185)**	(233)
Unused tax losses	**1,298**	1,778	-	-	**1,298**	1,778
Other timing differences	**40**	28	-	-	**40**	28
Tax assets / (liabilities)	**1,338**	1,806	**(185)**	(233)	**1,153**	1,573

In addition to the deferred tax asset above, the Group has additional unrecognised tax assets of £412,000 *(2016: £445,000)*. Approximately £731,000 of the deferred tax asset is expected to reverse in the next reporting period *(2016: £773,000)*.

Notes *(continued)*

20 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £327,000 *(2016: £282,000).*

21 Capital and reserves

Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
375,000 ordinary shares of £1 each	**375**	375
93,000 'A' ordinary shares of £1 each	**93**	93
28,675,000 preferred 'A' ordinary shares of 0.01p each	**2**	2
5,060,294 preferred 'B' ordinary shares of 0.01p each	**1**	1
2,560,294 preferred 'B1' ordinary shares of 0.01p each	**-**	-
	471	471

In March 2016, Nylacast Holdings Limited amended its Articles of Association in order to create a new class of shares, being 2,560,294 preferred B1 ordinary shares of £0.0001 each.

The preferred ordinary shares carry neither voting rights nor entitlement to dividends, but holders of the preferred ordinary shares shall be entitled to attend any general meeting of the Company. In the event of a winding up, once the holders of the preferred ordinary shares have received a payment of up to a maximum of £36,295,588 in aggregate, the holders of the equity shares shall each be entitled to any residual balance.

	2017	2016
	£000	£000
Shares classified as liabilities	**-**	-
Shares classified in shareholders' funds	**471**	471
	471	471

On 9 July 2018 all classes of share were converted to ordinary shares.

Notes *(continued)*

22 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017	2016
	£000	£000
Assets measured at fair value through profit or loss	**22**	21
Assets measured at amortised cost	**13,856**	12,900
Liabilities measured at fair value through profit or loss	**-**	-
Liabilities measured at amortised cost	**(6,444)**	(5,076)
Loan commitments measured at cost less impairment	**(5,122)**	(8,727)

Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on market instruments).

For financial assets the difference between the carrying amount and the amount the Group would contractually receive at maturity is £22,000 *(2016: £21,000).*

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**995**	901	**-**	-
Between one and five years	**2,739**	2,814	**-**	-
More than five years	**10,481**	6,389	**-**	-
	14,215	10,104	**-**	-

During the year £867,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2016: £644,000).*

24 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £69,000 *(2016: £129,000)* Company: £nil *(2016: £nil).*

Notes *(continued)*

25 Guarantees

The Company has given guarantees in respect of credit facilities including bank loans and overdrafts for Nylacast Limited, Nylacast Trustees Limited, Nylacast Overseas Holdings Limited and Nylacast Engineering Plastics (Changshu) Co. Limited. Also, there are similar guarantees given by these Group companies. The directors do not believe that the effect of giving these guarantees will have a material effect upon the Group's financial position.

26 Related parties

Group

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £489,000 *(2016: £490,000)*.

During the year the Nylacast Limited loaned amounts to Mr M Mahomed, director. The maximum balance outstanding was £3,000 *(2016: £3,000)* at the year end £3,000 *(2016: £3,000)* was due to Nylacast Limited.

Nylacast Limited obtained building services from IAP Property Maintenance & Electrical Installations Limited, which is owned by Mr M Mahomed's brother, costing £23,000 *(2016: £106,000)* and £nil *(2016: £nil)* was payable at 31 December 2017.

Other related party transactions

	Sales to		**Administrative expenses incurred from**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Other related parties (subject to wholly owned exemption)	-	-	**23**	106
	-	-	**23**	106

	Receivables outstanding		**Creditors outstanding**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Key management personnel of the company and its group	**3**	3	-	-
	-	3	-	-

Company

There have been no related party transactions with the company.

Notes *(continued)*

27 Ultimate controlling party

The ultimate controlling party of the Group is Mr M Mahomed.

28 Accounting estimates and judgements

Critical accounting judgements and estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

Provisions

Provisions are by their very nature uncertain in amount and timing. Management have provided in line with accounting standards at their best estimate of the amount required to settle the obligations at the reporting date based on all available information. The range of potential outcomes remains broad and is sensitive to ongoing negotiations.

Taxation

Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also provided for the future tax benefit of existing net operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. While management believes that its judgements and estimations regarding deferred tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the Company's future financial results.

29 Post Balance Sheet events

On 10th July 2018 there was a significant change in ownership of the Group. Cavendish Square Partners disinvested their shareholding. The new majority shareholder and controlling party is Equistone Partners Europe. The outstanding loans with Santander were settled and new financing facilities were put in place with HSBC.