

Registered number: 08659981

PEMBERSTONE VENTURES LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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PEMBERSTONE VENTURES LIMITED

COMPANY INFORMATION

Directors	A M Barker M A Anslow D C Annetts M A Reynolds D J Moore
Company secretary	The Whittington Partnership LLP
Registered number	08659981
Registered office	Whittington Hall Whittington Road Worcester WR5 2ZX
Independent auditors	Hurst & Company Accountants LLP Chartered Accountants and Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Lancashire SK1 1TD

PEMBERSTONE VENTURES LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 3
Directors' Report	4 - 7
Independent Auditors' Report	8 - 9
Consolidated Statement of Comprehensive Income	10 - 11
Consolidated Balance Sheet	12 - 13
Company Balance Sheet	14
Consolidated Statement of Changes in Equity	15 - 16
Company Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18 - 19
Notes to the Financial Statements	20 - 54

PEMBERSTONE VENTURES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

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

Business review

The group's principal activities during the year continued to include manufacturing, distribution and the refurbishment and development of properties for resale.

During the year, the Group acquired 2,241,146 £1 preference shares in LGG Charlesworth Limited, an existing subsidiary undertaking. As a result of this transaction, the share of net assets pertaining to shareholders of the parent company increased to 100%. Further details of the acquisition are included in note 29 of the financial statements.

The Group has continued to develop its subsidiaries throughout the year with focussed investment being directed towards improving long-term sustainable profits and cash generation. Notable highlights include:

- Completion and launch of the Ingenious hardware product range by Ingenious Locks and Hardware Limited;
- Preparing for the 2017 product launch of Intellitect Water Limited's Di in pipe water testing system;
- Continuing expansion of the capabilities and customer base of Synthotec Group companies, with new facilities opened in Slovakia during May 2017; and
- Marketing, website and worldwide distributor support being developed for Harman Technology Limited's Ilford black and white photographic products.

The Group made no disposals during the year.

The full results for the year are set out in the Statement of Comprehensive Income on page 10.

The Company intends to continue with its current business strategy for the foreseeable future. Further specific details of future developments are included in the Directors' Report.

The directors have prepared these accounts on the fundamental assumption that the Group is a going concern.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are broadly grouped as set out below.

Competitive risk

The group is faced with normal competitive risks associated with UK and European operations. Each company in the group holds a strong niche position in its own market place and competes with a variety of different competitors. Each company monitors the forward flow of business opportunities and the activities of key competitors so as to adjust operational tactics and strategy accordingly.

Legislative and compliance risk

The group seeks to ensure that its operations at all times comply with the latest legislative requirements across all aspects of each business. Furthermore, each company ensures that it maintains compliance with all customer requirements so as to ensure successful long term customer relationships.

Technological risk

The group aims to constantly monitor the technical qualities of its products to ensure they meet or exceed the latest industry standards for each applicable sector. Research and development investment is considered vital to ensuring the future competitiveness of each company's products and the security of future cash flows.

Liquidity risk

Each company controls its own working capital cycle requirements through the use of effective working capital management processes in addition to the provision of funding from commercial banks (overdrafts, short term loans and invoice discounting), the group and other associated entities. Risk is mitigated by the use of regular cash flow forecasting to monitor compliance with lending covenants and ensure the efficient recycling of working capital.

Financial instrument risk

Certain companies use derivatives to manage the risk of volatility associated with the sale and purchase of foreign currencies and certain raw materials. The instruments used include foreign exchange option contracts and forward purchase contracts for materials which seek to limit the risk of material conversion differences on a rolling monthly forward basis and are used to provide protection for a portion of our total currency or material purchase price risks. Hedge accounting is used where certain criteria are met as explained in the accounting policies notes on page 25.

PEMBERSTONE VENTURES LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Key performance indicators

The key financial and other performance indicators during the year were as set out below.

	2016 £'000	2015 £'000	Change £'000	Change %
Financial key performance indicators (continuing operations)				
Turnover	42,175	28,567	13,608	48
Operating profit	1,987	1,412	575	41
Profit before tax	1,048	722	326	45
Cash & cash equivalents	304	293	11	4
Non-financial key performance indicators				
Employee numbers	369	248	121	49

Turnover from continuing operations increased by 48% during the year, primarily as a result of the inclusion of a full year of trading results for Harman Technology Limited. Acquired during 2015, Harman Technology Limited contributed £18,798k (2015 - £5,720k) to Group turnover.

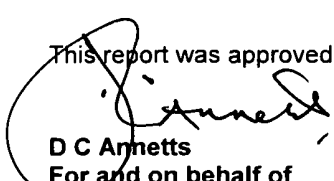
Operating profit from continuing operations increased by 41% to £1,987k (2015 - £1,412k) during the year, this despite a charge of £523k (2015 - £Nil) for exceptional costs associated with a restructuring programme in Harman Technology Limited as detailed in note 13 of the financial statements.

The inclusion of Harman Technology Limited for a full year contributed an increase of £876k in operating profit before exceptional restructuring costs of £523k. In addition to this there were pleasing improvements in operating profit at Synthotec Group companies of £447k as the group develops its automotive markets in the UK and across the EU; and at Ingenious Locks and Hardware Limited which increased its contribution to group results by £350k in only its third year of trading. Maxim Industries Limited continued its business restructuring and whilst contributing an operating loss of £191k due in large part of adverse foreign exchange charges (2015 - £56k operating profit), it has returned to profit after the year end with improved business processes and a restructured team. Intellitect Water Limited continued to develop its water systems and whilst contributing an operating loss of £949k (2015 - £579k) it is expected to move into profit in 2017 as it moves from its product development to commercial delivery phase.

Profit before tax for the group increased by 45% to £1,048k (2015 - £722k) on continuing operations for the reasons stated above, although interest costs from continuing activities increased by 36% to £940k (2015 - £691k) primarily through the servicing of acquisition debt associated with the prior year purchase of Harman Technology Limited.

A net charge to other comprehensive income of £814k (2015 - £144k) comprises gains on consolidation of overseas entities (principally Synthotec Slovakia s.r.o.) of £134k (2015 - £50k loss) and movements on hedging reserves of £948k (2015 - £94k) arising in Harman Technology Limited.

This report was approved by the board on 17 August 2017 and signed on its behalf.


D C Arnetts
For and on behalf of
The Whittington Partnership LLP
Secretary

PEMBERSTONE VENTURES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £713,384 (2015 - £1,561,225).

Ordinary dividends of £Nil (2015 - £685.90) per 'B' ordinary share amounting to £Nil (2015 - £1,070,000) were paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

A M Barker
M A Anslow
D C Annetts
M A Reynolds
D J Moore

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Future developments

The key areas of future development across the Group are as set out below.

Secura Labels Limited

The Company has invested in a digital printing capability to enhance its quality and service levels as part of its ongoing drive to exceed customer expectations.

The Georgian Bar Company Limited

The Company is expanding growth opportunities for its window products through the development of overseas markets which are expected to continue to come on stream during 2017.

Synthotec Limited

The Company aims to maintain its strategy of developing new products for its existing customer base and new customers. Recent successes in growing the pipeline of new tooling orders has resulted in a strong order book and the Company is expected to increase its revenues and profits in the forthcoming year in both businesses in the UK and Slovakia.

LGG Charlesworth Limited

The Company aims to maintain its strategy of developing new products for its existing customer base and new customers. The Company is investing in new plant and machinery to allow it to expand its product offering as part of its plans to increase its revenues and profits in the forthcoming year and has further strengthened its management team to support its growth plans.

Maxim Industries Limited

The Company is currently refocussing its activities to higher margin opportunities as well as looking to expand with new products in the building products market.

Ingenious Locks and Hardware Limited

The Company continues to grow market share with its core product range for the fenestration market, being centred on the high security, multipoint locking mechanism system.

Intellitect Water Limited

The Company aims to further enhance and deploy the system based water quality management solution thereby enabling real time, network wide quality and flow management capability to customers on a worldwide basis. Work is ongoing with major water companies on a worldwide basis to prove the system capability and thereby deliver a commercial solution in 2017.

Harman Technology Limited

The Company is actively developing its sales and marketing capability through investment in new staff, technologies and improvements to its worldwide distribution network in order to take advantage of the strength of the core Ilford brand. Additional product lines are being investigated around the core skill set of silver chemistry and are detailed in Research and Development activities below.

Pemberstone Developments Limited

The Company aims to finalise the development of its existing development stock with a view to a sale in 2017.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Research and development activities

The Group carries out research and development in a number of its subsidiaries as set out below.

Intellitect Water Limited

The Company continues to improve and develop its "in-pipe" water measuring equipment (the Intellisonde) and network management systems in order to enable water companies worldwide to achieve network wide remote water quality management solutions.

Harman Technology Limited

The Company has continued to invest in research and development. Projects continue to be researched by the Company in areas such as holographic energy harvesting, rare cell separation devices and long term storage and archival medium. All of these projects are based on the core strength within the business with regards to silver chemistry. The directors regard these projects as important in reducing the long term reliance on the traditional core photographic business.

The Georgian Bar Company Limited

The Company continues to develop its products to comply with differing performance requirements in overseas markets as it expands its export business.

Ingenious Locks and Hardware Limited

The Company is expanding its core product range through the design and development of new locking mechanisms and ancillary products for the window and door market.

LGG Charlesworth Limited

The Company continues to develop new tooling to provide customers with leading manufacturing processes and equipment.

Synthotec Limited

The Company continues to develop new tooling for use in manufacturing processes as well as innovative new products in the automotive bearings sector.

Employee involvement

Throughout the Group employees are informed on a regular basis of production levels and relative production performance. Communication is both verbal and through visual means such as regularly updated notice boards, with involvement and interaction encouraged wherever possible.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

PEMBERSTONE VENTURES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Matters covered in the strategic report

The directors consider the financial risk management, liquidity and other factors having a bearing on cash flow risk facing the group to be of strategic importance, and accordingly present this information in the Group Strategic Report.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

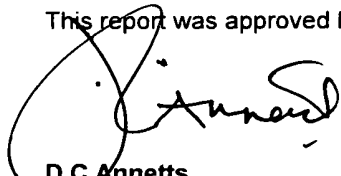
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Hurst & Company Accountants LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 August 2017 and signed on its behalf.



D C Annetts
For and on behalf of
The Whittington Partnership LLP
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEMBERSTONE VENTURES LIMITED

We have audited the financial statements of Pemberstone Ventures Limited for the year ended 31 December 2016, set out on pages 10 to 54. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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 Auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

PEMBERSTONE VENTURES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEMBERSTONE VENTURES LIMITED
(CONTINUED)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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

Hurst & Company Accountants LLP

Mike Jackson (Senior Statutory Auditor)

For and on behalf of
Hurst & Company Accountants LLP

Chartered Accountants and Statutory Auditors

Lancashire Gate
21 Tiviot Dale
Stockport
Lancashire
SK1 1TD

17 August 2017

PEMBERSTONE VENTURES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Continuing operations 2016 £	Discontin'd operations 2016 £	Total 2016 £	Continuing operations 2015 £	Discontinued operations 2015 £	Total 2015 £
Turnover	4	42,175,413	-	42,175,413	28,567,004	76,250	28,643,254
Cost of sales		(28,692,146)	-	(28,692,146)	(19,787,775)	-	(19,787,775)
Gross profit		13,483,267	-	13,483,267	8,779,229	76,250	8,855,479
Distribution costs		(1,619,991)	-	(1,619,991)	(716,850)	-	(716,850)
Administrative expenses		(10,129,582)	-	(10,129,582)	(6,862,945)	(108,648)	(6,971,593)
Exceptional administrative expenses	13	(522,788)	-	(522,788)	-	-	-
Other operating income	5	795,488	-	795,488	246,856	-	246,856
Other operating charges		(18,975)	-	(18,975)	(33,978)	-	(33,978)
Operating profit	6	1,987,419	-	1,987,419	1,412,312	(32,398)	1,379,914
Gain on disposal of investments	30	-	-	-	-	1,315,228	1,315,228
Interest receivable and similar income	9	261	-	261	760	-	760
Interest payable and expenses	10	(939,590)	-	(939,590)	(691,340)	(58,359)	(749,699)
Profit before taxation		1,048,090	-	1,048,090	721,732	1,224,471	1,946,203
Tax on profit	11	216,917	-	216,917	270,777	19,680	290,457
Profit for the year		1,265,007	-	1,265,007	992,509	1,244,151	2,236,660
Exchange movements				133,631			(50,443)
Movements on hedging reserves				(947,974)			(94,047)
Other comprehensive income for the year				(814,343)			(144,490)
Total comprehensive income for the year				450,664			2,092,170

PEMBERSTONE VENTURES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Profit for the year
attributable to:**

Non-controlling interests	551,623	-	551,623	675,435	-	675,435
Owners of the parent Company	713,384	-	713,384	317,074	1,244,151	1,561,225
	<u>1,265,007</u>	<u>-</u>	<u>1,265,007</u>	<u>992,509</u>	<u>1,244,151</u>	<u>2,236,660</u>

**Total
comprehensive
income for the
year attributable
to:**

Non-controlling interest	409,443	675,435
Owners of the parent Company	<u>41,221</u>	<u>1,416,735</u>
	<u>450,664</u>	<u>2,092,170</u>

PEMBERSTONE VENTURES LIMITED
REGISTERED NUMBER: 08659981

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Positive goodwill	15	1,042,794	1,208,284
Negative goodwill	15	(943,385)	(2,075,234)
Other intangible assets	15	2,045	4,601
		<u>101,454</u>	<u>(862,349)</u>
 Tangible fixed assets	16	 4,465,565	 4,021,840
Fixed asset investments	17	50	50
		<u>4,567,069</u>	<u>3,159,541</u>
Current assets			
Stocks	18	11,190,643	11,674,549
Debtors: amounts falling due after more than one year	19	797,036	506,523
Debtors: amounts falling due within one year	19	9,914,596	9,442,446
Cash at bank and in hand	20	1,350,147	1,187,050
		<u>23,252,422</u>	<u>22,810,568</u>
Creditors: amounts falling due within one year	21	(19,545,188)	(19,821,427)
Net current assets		<u>3,707,234</u>	<u>2,989,141</u>
Total assets less current liabilities		<u>8,274,303</u>	<u>6,148,682</u>
Creditors: amounts falling due after more than one year	22	(4,555,302)	(1,900,561)
Provisions for liabilities			
Deferred tax	25	(352,387)	(326,377)
Other provisions	26	(44,701)	-
		<u>(397,088)</u>	<u>(326,377)</u>
Net assets		<u><u>3,321,913</u></u>	<u><u>3,921,744</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Capital and reserves			
Called up share capital	27	1,300	1,300
Capital redemption reserve	28	676,000	676,000
Foreign exchange reserve	28	83,188	(50,443)
Other reserves	28	(885,718)	(94,047)
Profit and loss account	28	2,930,844	(396,465)
Equity attributable to owners of the parent Company		2,805,614	136,345
Non-controlling interests		516,299	3,785,399
		3,321,913	3,921,744

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 August 2017.


M A Anslow
Director


D J Moore
Director

The notes on pages 20 to 54 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED
REGISTERED NUMBER: 08659981

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	17	1,300	1,300
		<u>1,300</u>	<u>1,300</u>
Current assets			
Debtors: amounts falling due within one year	19	25,000	25,000
		<u>25,000</u>	<u>25,000</u>
Net assets		<u>26,300</u>	<u>26,300</u>
Capital and reserves			
Called up share capital	27	1,300	1,300
Profit and loss account brought forward		25,000	-
Profit for the year	14	-	1,095,000
Dividends paid	12	-	(1,070,000)
Profit and loss account carried forward		<u>25,000</u>	<u>25,000</u>
		<u>26,300</u>	<u>26,300</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 August 2017.


M A Anslow
 Director


D J Moore
 Director

The notes on pages 20 to 54 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Capital redemption reserve	Foreign exchange reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2016	1,300	676,000	(50,443)	(94,047)	(396,465)	136,345	3,785,399	3,921,744
Profit for the year	-	-	-	-	713,384	713,384	551,623	1,265,007
Exchange movements	-	-	133,631	-	-	133,631	-	133,631
Movements on hedging reserves	-	-	-	(805,794)	-	(805,794)	(142,180)	(947,974)
Total comprehensive income for the year	-	-	133,631	(805,794)	713,384	41,221	409,443	450,664
Dividends: Non-controlling interests	-	-	-	-	-	-	(150,495)	(150,495)
Changes in non-controlling interests	-	-	-	-	2,628,048	2,628,048	(3,528,048)	(900,000)
Other movements	-	-	-	14,123	(14,123)	-	-	-
At 31 December 2016	1,300	676,000	83,188	(885,718)	2,930,844	2,805,614	516,299	3,321,913

Changes in non-controlling interests, resulting in an increase in retained earnings of £2,408,107 and decrease in non-controlling interests of £3,308,107 are as a result of the acquisition of preference share capital in a subsidiary undertaking.

Changes in non-controlling interests, resulting in an increase in retained earnings of £219,941 and decrease in non-controlling interests of £219,941 are as a result of the increase in proportion of non-controlling interests in a subsidiary undertaking.

PEMBERSTONE VENTURES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Capital redemption reserve	Foreign exchange reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2015	1,300	676,000	-	-	(1,203,777)	(526,477)	3,522,234	2,995,757
Profit for the year	-	-	-	-	1,561,225	1,561,225	675,435	2,236,660
Exchange movements	-	-	(50,443)	-	-	(50,443)	-	(50,443)
Movements on hedging reserves	-	-	-	(94,047)	-	(94,047)	-	(94,047)
Total comprehensive income for the year	-	-	(50,443)	(94,047)	1,561,225	1,416,735	675,435	2,092,170
Dividends: Equity capital	-	-	-	-	(1,070,000)	(1,070,000)	-	(1,070,000)
Dividends: Non-controlling interests	-	-	-	-	-	-	(118,500)	(118,500)
Changes in non-controlling interests	-	-	-	-	152,237	152,237	(129,920)	22,317
Other movements	-	-	-	-	163,850	163,850	(163,850)	-
At 31 December 2015	1,300	676,000	(50,443)	(94,047)	(396,465)	136,345	3,785,399	3,921,744

The notes on pages 20 to 54 form part of these financial statements.

Changes in non-controlling interests, resulting in an increase in retained earnings of £152,237 and decrease in non-controlling interests of £129,920 comprise substantially an amount £134,868 in respect of a gain on the disposal of Romsey 2014 Limited.

Other movements in retained earnings and non-controlling interests of £163,850 comprise substantially an amount £130,076 previously allocated to non-controlling interests in respect of goodwill in Secura Labels Limited. This amount is not considered to pertain to non-controlling interests.

PEMBERSTONE VENTURES LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1,300	25,000	26,300
At 31 December 2016	1,300	25,000	26,300

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	1,300	-	1,300
Profit for the year	-	1,095,000	1,095,000
Dividends: Equity capital	-	(1,070,000)	(1,070,000)
At 31 December 2015	1,300	25,000	26,300

The notes on pages 20 to 54 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	1,265,007	2,236,660
Adjustments for:		
Amortisation of intangible assets	(963,803)	(945,180)
Depreciation of tangible assets	1,038,385	831,925
Profit on disposal of tangible assets	(579)	(12,457)
Government grants	(21,254)	(5,869)
Interest paid	939,590	749,699
Interest received	(261)	(760)
Taxation charge	(216,917)	(290,457)
Decrease in stocks	483,906	698,057
(Increase)/decrease in debtors	(573,623)	48,107
Increase/(decrease) in creditors	62,168	(1,596,468)
Increase in provisions	44,701	-
Corporation tax received/(paid)	20,907	(255,380)
Profit on disposal of subsidiaries	-	(1,315,228)
Net cash generated from operating activities	2,078,227	142,649
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(4,601)
Purchase of tangible fixed assets	(1,007,831)	(636,819)
Sale of tangible fixed assets	6,590	14,392
Government grants received	6,983	-
Purchase of fixed asset investments	(900,000)	(3,159,090)
Interest received	261	760
HP interest paid	(31,242)	(32,896)
Disposal of fixed asset investments	-	527,413
Net cash from investing activities	(1,925,239)	(3,290,841)

PEMBERSTONE VENTURES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from financing activities		
Repayment of loans	(49,400)	(383,807)
Other new loans	1,471,450	4,036,354
Repayment of other loans	(663,078)	(1,541,328)
Repayment of/new finance leases	(272,616)	(276,096)
Movements on invoice discounting	55,724	1,874,060
Dividends paid	-	(1,070,000)
Interest paid	(533,589)	(247,710)
Dividends paid to non controlling interests	(150,495)	(118,500)
Net cash used in financing activities	<u>(142,004)</u>	<u>2,272,973</u>
Net increase/(decrease) in cash and cash equivalents	<u>10,984</u>	<u>(875,219)</u>
Cash and cash equivalents at beginning of year	293,157	1,168,376
Cash and cash equivalents at the end of year	<u><u>304,141</u></u>	<u><u>293,157</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,350,147	1,187,050
Bank overdrafts	(1,046,006)	(893,893)
	<u><u>304,141</u></u>	<u><u>293,157</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. General information

The Company is a private company limited by shares and is incorporated in England with company number 08659981.

The address of the Company's registered office and principal place of business is Whittington Hall, Whittington Road, Worcester, WR5 2ZX.

The nature of the Company's operations and its principal activity is that of a holding company. Details of the nature of operations and principal activities of other companies in the Group are included in the Group Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.3 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Revenue

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

Sale of goods

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

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life with amounts recognised in administrative expenses.

Other intangible assets

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

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

2.6 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	- 7 years
Short-term leasehold property	- 5 years
Plant and machinery	- Up to 10 years
Motor vehicles	- 4-5 years
Fixtures and fittings	- 3-5 years
Office equipment	- 3-5 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Assets under construction are only subject to depreciation at the point that they are brought into use. The carrying value is reviewed periodically and if any assets are unlikely to generate future economic benefit they are subject to impairment accordingly.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.7 Impairment of fixed assets and goodwill

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.9 Stocks

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

Development stock represents development land and buildings which is included in the accounts at the lower of cost and net realisable value. Cost for this purpose comprises the purchase of land and buildings and associated development expenditure.

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

2.10 Debtors

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

2.11 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.12 Financial instruments

The Group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

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

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

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group applies hedge accounting for foreign exchange derivatives, with the fair value adjustment being taken to a hedging reserve.

2.13 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.14 Hedge accounting

The Group uses foreign currency forward contracts to manage its exposure to cash flow risk on its trade debtors and trade creditors. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

2.15 Government grants

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

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.16 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.18 Operating leases: the Group as lessor

Rentals income from operating leases is credited to the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the relevant lease.

2.19 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.20 Leased assets: the Group as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.21 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.22 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.23 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.24 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.25 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

Deferred tax balances are not discounted.

2.26 Exceptional items

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.27 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following have the most significant effect on amounts recognised in the financial statements:

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value calculation is based on the best observable data to support an arm's length transaction less incremental costs of disposal. The value in use calculation is based on a discounted cash flow test.

Assets under construction

Assets under construction are valued at cost and only depreciated once they are complete and brought into operating usage. During the period of construction, management consider whether or not any impairment is required, on an annual basis, dependant on whether any event or change of circumstances indicate that the carrying value may not be recoverable. At 31 December 2016 the carrying value of assets under construction was £98,163 (2015 - £653,627).

Tooling

Certain moulding and pressing tools are owned by the group but used by third party manufacturers and are capitalised then amortised over their useful economic life subject to a maximum of 5 years. Any tooling which is not in productive use is written down to £Nil. At 31 December 2016 the carrying value of Tooling was £256,884 (2015 - £218,639).

Goodwill

Goodwill acquired on each business combination is capitalised on the balance sheet and amortised over its expected useful economic life or ten years, whichever is the shorter. Goodwill acquired in a business combination is, from the date of acquisition, allocated against the cash generating units expected to benefit from the combination. If any business unit containing unamortised goodwill is disposed of then the remaining unamortised goodwill is taken into account in calculating the profit or loss on sale or discontinuance. At 31 December 2016 the carrying value of positive goodwill was £1,042,794 (2015 - £1,208,284) and the carrying value of negative goodwill was (£943,385) (2015 - (£2,075,234)).

Stock

All stock is stated at the lower of cost or net realisable value.

At 31 December 2016 development stock in Pemberstone Developments Limited is held at a valuation of £2,827,142 (2015 - £2,747,987). This is based on the directors' assessment of net realisable value and includes a provision of £1,295,705 (2015 - £1,325,705). Amounts totalling £30,000 were credited (2015 - £95,000 charged) to profit or loss.

During the year the attributable proportion of labour and overheads in Harman Technology Limited was reviewed by the directors. The attributable proportions were realigned as part of this exercise to be consistent with normal operating levels. As a result of this, stock value was reduced by £613,000 (2015 - £Nil) and a corresponding expense recognised in the Consolidated Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Judgments in applying accounting policies (continued)

Taxation

The group establishes provisions based on reasonable estimates of tax liabilities based upon the accounting results of each company in the group. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. At 31 December 2016 the carrying value of deferred tax assets was £797,036 (2015 - £506,523). At 31 December 2016 the carrying value of deferred tax liabilities was £352,387 (2015 - £326,377). Further details are contained in note 25.

Where claims are made for tax relief for Research and Development costs these are accounted for as tax provisions or assets to the extent that claims are expected to be recovered.

Operating lease commitments

The group has entered into commercial operating leases as a lessee where it obtains the use of property, plant and equipment. The classification of such leases as operating or finance leases requires the group to determine whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Supply of engineered electrical and mechanical parts	11,475,645	11,971,859
Precision injection moulding	5,583,585	4,392,787
Engineering products for the plastics industry	4,258,433	4,073,680
Specialist label printing	1,712,707	2,082,315
Manufacture of photographic film and related products	18,798,309	5,719,655
Other	346,734	402,958
	<u>42,175,413</u>	<u>28,643,254</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	18,265,579	16,723,526
Rest of Europe	11,857,091	8,119,800
Rest of the World	12,052,743	3,799,928
	<u>42,175,413</u>	<u>28,643,254</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. Other operating income

	2016 £	2015 £
Other operating income	164,476	48,221
Net rents receivable	586,006	180,809
Royalties receivable	23,752	11,957
Government grants receivable	21,254	5,869
	<u>795,488</u>	<u>246,856</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Research & development charged as an expense	318,062	149,398
Depreciation of tangible fixed assets	1,038,385	831,925
Amortisation of intangible assets, including goodwill	(963,803)	(1,040,165)
Impairment of intangible assets	-	94,986
Profit on disposal of tangible fixed assets	(579)	(12,457)
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	-	-
Fees payable to the Group's auditors and its associates for other services to the group:		
- The audit of the Group's subsidiaries pursuant to legislation	61,880	52,298
Exchange differences	297,675	164,387
Operating leases: land and buildings	1,437,143	698,702
Operating leases: plant and machinery	123,984	45,588
Operating leases: other	58,172	42,400

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. Employees

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

	2016 £	2015 £
Wages and salaries	10,153,810	6,440,627
Social security costs	942,727	636,494
Cost of defined contribution scheme	220,107	144,740
	<u>11,316,644</u>	<u>7,221,861</u>

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

	2016 No.	2015 No.
Production	255	182
Administration	69	49
Sales	45	17
	<u>369</u>	<u>248</u>

8. Directors' remuneration

During the year, no director received any emoluments (2015 - £Nil) from either the Company or any subsidiary undertaking.

Key management remuneration is included in note 36.

9. Interest receivable

	2016 £	2015 £
Other interest receivable	261	760
	<u>261</u>	<u>760</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	256,355	186,939
Other loan interest payable	651,993	529,864
Finance leases and hire purchase contracts	31,242	32,896
	<u>939,590</u>	<u>749,699</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	(4,251)	(235,551)
Adjustments in respect of previous periods	(98,062)	6,488
	<u>(102,313)</u>	<u>(229,063)</u>
Foreign tax		
Foreign tax on income for the year	103,933	50,196
	<u>103,933</u>	<u>50,196</u>
Total current tax	<u>1,620</u>	<u>(178,867)</u>
Deferred tax		
Origination and reversal of timing differences	(120,542)	(111,590)
Adjustments in respect of prior periods	(97,995)	-
Total deferred tax	<u>(218,537)</u>	<u>(111,590)</u>
Taxation on loss on ordinary activities	<u>(216,917)</u>	<u>(290,457)</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2016 £	2015 £
Profit on ordinary activities before tax	1,048,090	1,946,203
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	209,618	394,106
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	(192,761)	(351,448)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	105,629	76,241
Capital allowances for year in excess of depreciation	(44,484)	59,494
Higher rate taxes on overseas earnings	1,841	-
Adjustments to tax charge in respect of prior periods	(196,057)	6,488
Adjustment in research and development tax credit leading to a decrease in the tax charge	(180,258)	(128,131)
Capital gains	15	(108,280)
Unrelieved tax losses carried forward	80,034	(238,927)
Other differences leading to a decrease in the tax charge	(494)	-
Total tax charge for the year	(216,917)	(290,457)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2016 £	2015 £
Dividends paid to shareholders of the parent company	-	1,070,000
	-	1,070,000

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Exceptional items

	2016	2015
	£	£
Restructuring costs	522,788	-
	522,788	-

On 19 January 2016 Harman Technology Limited initiated a restructuring programme that resulted in the loss of 16 roles within the company. Exceptional costs of £522,788 (2015 - £Nil) have been incurred as a result of the programme.

14. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £Nil (2015 - £1,095,000).

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. Intangible assets

Group and Company

	Patents £	Goodwill £	Negative goodwill £	Total £
Cost				
At 1 January 2016	4,651	1,907,402	(3,476,116)	(1,564,063)
At 31 December 2016	4,651	1,907,402	(3,476,116)	(1,564,063)
Amortisation				
At 1 January 2016	50	699,118	(1,400,882)	(701,714)
Charge for the year	2,556	138,862	(1,105,221)	(963,803)
Adjustments	-	26,628	(26,628)	-
At 31 December 2016	2,606	864,608	(2,532,731)	(1,665,517)
Net book value				
At 31 December 2016	2,045	1,042,794	(943,385)	101,454
At 31 December 2015	4,601	1,208,284	(2,075,234)	(862,349)

Adjustments relate to classifications between positive and negative goodwill with no impact on net amortisation.

Positive goodwill was assessed upon transition to FRS 102 as at 1 January 2014 as having, in the absence of anything to suggest the contrary, a remaining useful life of 10 years, being the maximum permitted under FRS 102. The directors have continued to monitor for indicators of impairment or changes to the useful economic life and deem there to have been no change to this assessment. Positive goodwill therefore has a remaining useful life of 7 years as at 31 December 2016.

Negative goodwill arose on the acquisition of Harman Technology Limited on 10 September 2015. At that time, negative goodwill was allocated firstly against tangible assets to be amortised over the useful life of those assets, being 4 years. Residual amounts were allocated to stock to be amortised over an average stock holding period of 6 months. The directors have continued to monitor for indicators of impairment or changes to the useful economic life and deem there to have been no change to this assessment. Negative goodwill therefore has a remaining useful life of 2.75 years as at 31 December 2016.

PEMBERSTONE VENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

16. Tangible fixed assets

Group

	Long-term leasehold property £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Assets under construction £	Total £
Cost or valuation								
At 1 January 2016	76,410	97,815	5,474,425	136,077	220,644	451,722	653,627	7,110,720
Additions	-	1,744	1,128,698	24,042	3,990	50,534	175,147	1,384,155
Disposals	-	-	(169,548)	(30,999)	-	(15,009)	-	(215,556)
Transfers between classes	-	-	720,991	9,620	-	-	(730,611)	-
Exchange adjustments	-	-	232,318	13,895	-	3,401	-	249,614
At 31 December 2016	76,410	99,559	7,386,884	152,635	224,634	490,648	98,163	8,528,933
Depreciation								
At 1 January 2016	71,586	27,539	2,538,578	65,688	101,178	284,311	-	3,088,880
Charge for the year on owned assets	1,254	19,999	740,768	26,389	25,646	50,685	-	864,741
Charge for the year on financed assets	-	-	170,644	-	-	3,000	-	173,644
Disposals	-	-	(169,548)	(23,899)	-	(7,181)	-	(200,628)
Transfers between classes	-	-	(61,279)	7,110	29,937	24,232	-	-
Exchange adjustments	-	-	123,772	7,692	-	5,267	-	136,731
At 31 December 2016	72,840	47,538	3,342,935	82,980	156,761	360,314	-	4,063,368

PEMBERSTONE VENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

16. Tangible fixed assets (continued)

Net book value

At 31 December 2016	3,570	52,021	4,043,949	69,655	67,873	130,334	98,163	4,465,565
At 31 December 2015	4,824	70,276	2,935,847	70,389	119,466	167,411	653,627	4,021,840

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Long leasehold	3,570	4,824
Short leasehold	52,021	70,276
	<u>55,591</u>	<u>75,100</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Plant and machinery	812,048	694,016
Motor vehicles	77,129	100,268
Other fixed assets	2,250	5,250
	<u>891,427</u>	<u>799,534</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. Fixed asset investments

Group

	Investments in associates £
Cost or valuation	
At 1 January 2016	50
At 31 December 2016	50
Net book value	
At 31 December 2016	50
At 31 December 2015	50

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	1,300
At 31 December 2016	1,300
Net book value	
At 31 December 2016	1,300
At 31 December 2015	1,300

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	1,893,452	2,156,637	-	-
Work in progress (goods to be sold)	2,880,018	2,649,975	-	-
Finished goods and goods for resale	3,590,031	4,119,950	-	-
Development stock	2,827,142	2,747,987	-	-
	<u>11,190,643</u>	<u>11,674,549</u>	<u>-</u>	<u>-</u>

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

Stock recognised in cost of sales during the year as an expense was £19,088,666 (2015 - £14,576,784).

An impairment loss of £60,661 was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock. There were no material amounts recognised in the prior year in respect of slow-moving and obsolete stock.

Following an assessment of the prior year stock categorisation, the comparative figures for stock have been updated to what is deemed a more appropriate classification. There is no overall impact on total stock value.

Development stock balances consist of:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cost to date less provisions for losses	2,827,142	2,747,987	-	-
	<u>2,827,142</u>	<u>2,747,987</u>	<u>-</u>	<u>-</u>

Amounts included under development stock have been pledged as security for bank loans included in creditors. Further details of the bank loans are included in notes 21 and 22.

The closing balance includes a provision of £1,295,705 (2015 - £1,325,705) for foreseeable losses reflecting the directors' assessment of the net realisable value of this asset class. Amounts totalling £30,000 (2015 - £95,000) were credited (2015 - charged) to cost of sales during the year as a result of this assessment.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due after more than one year				
Deferred tax asset	797,036	506,523	-	-
	<u>797,036</u>	<u>506,523</u>	<u>-</u>	<u>-</u>
Due within one year				
Trade debtors	8,028,441	7,264,754	-	-
Amounts owed by group undertakings	-	-	25,000	25,000
Other debtors	131,910	418,818	-	-
Prepayments and accrued income	1,383,770	1,286,926	-	-
Tax recoverable	370,475	471,948	-	-
	<u>9,914,596</u>	<u>9,442,446</u>	<u>25,000</u>	<u>25,000</u>

An impairment loss of £8,649 (2015 - £5,998) was recognised against trade debtors during the year and charged to administrative expenses.

20. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	1,350,147	1,187,050	-	-
Less: bank overdrafts	(1,046,006)	(893,893)	-	-
	<u>304,141</u>	<u>293,157</u>	<u>-</u>	<u>-</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdrafts	1,046,006	893,893	-	-
Bank loans	4,782,524	4,726,800	-	-
Other loans	8,131,781	9,793,506	-	-
Trade creditors	1,742,574	1,686,181	-	-
Corporation tax	153,891	186,870	-	-
Other taxation and social security	298,245	278,220	-	-
Obligations under finance lease and hire purchase contracts	251,140	340,276	-	-
Other creditors	802,454	881,249	-	-
Accruals and deferred income	1,294,552	940,273	-	-
Financial instruments	1,042,021	94,159	-	-
	<u>19,545,188</u>	<u>19,821,427</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Creditors: Amounts falling due within one year (continued)

Bank overdrafts of £1,046,006 (2015 - £893,893) are secured by fixed and floating charges over the assets of individual subsidiary companies.

Included in bank loans are amounts totalling £49,400 (2015 - £49,400) which are secured by fixed and floating charges over the assets of a subsidiary company and bear an interest rate of LIBOR plus a margin of 3.25%. The loan is repayable in quarterly instalments of £12,350 with the balance due at maturity in November 2019.

Included in bank loans are invoice discounting facilities totalling £4,733,124 (2015 - £4,677,400) which are secured by fixed and floating charges over the assets of individual subsidiary companies.

Included in other loans are amounts totalling £8,073,060 (2015 - £6,759,510) which are secured by fixed and floating charges over the assets of individual subsidiary companies. The remaining £58,721 (2015 - £3,033,996) is unsecured.

Of the amounts included in other loans:

£400,937 (2015 - £Nil) bears an interest rate of 12%;
£1,080,238 (2015 - £3,961,275) bears an interest rate of 10%;
£1,650,000 (2015 - £1,706,360) bears an interest rate of 8%;
£210,506 (2015 - £486,032) bears an interest rate of Bank of England Base Rate plus 4%;
£595,000 (2015 - £595,000) bears an interest rate of Bank of England Base Rate plus 2%;
£900,000 (2015 - £Nil) bears an interest rate of 2%;
£2,772,120 (2015 - £2,518,234) bears an interest rate of Bank of England Base Rate plus 1%; and
£522,980 (2015 - £526,605) bears no interest.

Of the amounts included in other loans:

£400,937 (2015 - £Nil) is required to be repaid on or before 10 September 2025;
£58,720 (2015 - £52,070) is repayable in monthly instalments of £3,199;
£Nil (2015 - £62,617) is repayable in monthly instalments of £6,801; and
£7,672,124 (2015 - £9,678,819) have no fixed repayments.

Further details of amounts included in other loans are included in note 36.

Obligations under finance lease and hire purchase contracts of £251,140 (2015 - £340,276) are secured on the individual assets to which they relate.

Amounts denoted as financial instruments were included in the prior year under provisions. Their inclusion within creditors falling due within one year is deemed a more appropriate classification and comparative figures have been updated accordingly.

As at 31 December 2016, loans totalling £3,298,453 previously held as falling due within one year are deemed to fall due after more than one year.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. Creditors: Amounts falling due after more than one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	781,450	830,850	-	-
Other loans	3,298,453	58,721	-	-
Net obligations under finance leases and hire purchase contracts	475,399	212,490	-	-
Other creditors	-	798,500	-	-
	4,555,302	1,900,561	-	-

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Creditors: Amounts falling due after more than one year (continued)

Included in bank loans are amounts totalling £781,450 (2015 - £830,850) which are secured by fixed and floating charges over the assets of a subsidiary company and bear an interest rate of LIBOR plus a margin of 3.25%. The loan is repayable in quarterly instalments of £12,350 with the balance due at maturity in November 2019.

Included in other loans are amounts totalling £3,298,453 (2015 - £Nil) which are secured by fixed and floating charges over the assets of a subsidiary company. The remaining £Nil (2015 - £58,721) is unsecured.

Of the amounts included in other loans:

£3,298,453 (2015 - £Nil) bears an interest rate of 10%; and
£Nil (2015 - £58,721) bears no interest.

Of the amounts included in other loans:

£Nil (2015 - £58,721) is repayable in monthly instalments of £3,199; and
£3,298,453 (2015 - £Nil) have no fixed repayments.

Obligations under finance lease and hire purchase contracts of £475,399 (2015 - £212,490) are secured on the individual assets to which they relate.

Included in other creditors is an amount totalling £Nil (2015 - £398,500) which is secured by fixed and floating charges over the assets of a subsidiary company. The remaining £Nil (2015 - £400,000) is unsecured.

Of the amounts included in other creditors:

£Nil (2015 - £398,500) bears an interest rate of 12%; and
£Nil (2015 - £400,000) bears no interest.

Of the amounts included in other creditors:

£Nil (2015 - £398,500) is required to be repaid on or before 10 September 2025;
£Nil (2015 - £400,000) is due for repayment in September 2017.

Further details of amounts included in other loans and other creditors are included in note 36.

No amounts fall due in greater than 5 years.

As at 31 December 2016, loans totalling £3,298,453 previously held as falling due within one year are deemed to fall due after more than one year.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £	<i>Group 2015 £</i>	Company 2016 £	<i>Company 2015 £</i>
Within one year	251,140	340,276	-	-
Between 1-2 years	215,110	124,847	-	-
Between 2-5 years	260,289	87,643	-	-
	<u>726,539</u>	<u>552,766</u>	<u>-</u>	<u>-</u>

24. Financial instruments

	Group 2016 £	<i>Group 2015 £</i>	Company 2016 £	<i>Company 2015 £</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>8,160,351</u>	<u>7,683,572</u>	<u>25,000</u>	<u>25,000</u>
	<u>8,160,351</u>	<u>7,683,572</u>	<u>25,000</u>	<u>25,000</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(22,606,333)	(21,162,739)	-	-
Derivative financial instruments designated as hedges of foreign exchange risk	(1,042,021)	(94,159)	-	-
	<u>(23,648,354)</u>	<u>(21,256,898)</u>	<u>-</u>	<u>-</u>

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

Derivative financial instruments designated as hedges of foreign exchange risk comprise foreign currency forward contracts.

Financial liabilities measured at amortised cost comprise trade creditors, bank loans, other loans, obligations under finance leases and other creditors.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. Deferred taxation

Group

	2016 £
At beginning of year	180,146
Credited to profit or loss	218,537
Other movements	45,966
At end of year	444,649

Other movements comprise transfers from current tax balances in line with the anticipated use of carried forward losses.

The provision for deferred taxation is made up as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(352,387)	(326,377)	-	-
Tax losses carried forward	797,036	506,523	-	-
	444,649	180,146	-	-
Comprising:				
Asset - due after one year	797,036	506,523	-	-
Liability	(352,387)	(326,377)	-	-
	444,649	180,146	-	-

Of the amounts included in deferred tax assets, £Nil is expected to be recovered within 12 months. Remaining balances totalling £797,036 are expected to be recovered after more than 12 months.

Of the amounts included in deferred tax liabilities, £63,430 is expected to be recovered within 12 months. Remaining balances totalling £288,957 are expected to be recovered after more than 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

26. Provisions

Group

	Other provisions £
Charged to profit or loss	522,788
Utilised in year	(478,087)
At 31 December 2016	44,701

Other provisions relate to restructuring costs as detailed in note 13. Amounts included in other provisions are anticipated to be settled during the year ended 31 December 2017.

27. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
3,640 ordinary 'A' shares of £0.25 each	910	910
1,560 ordinary 'B' shares of £0.25 each	390	390
	<u>1,300</u>	<u>1,300</u>

The 'A' ordinary shares have one vote per share, carry rights to participate in dividends and are entitled to any surplus capital and assets of the Company available to shareholders on winding up, save for the amounts to which the 'B' ordinary shares are entitled.

The 'B' ordinary shares have no voting rights, carry the right to dividends in certain circumstances, but, in the event of winding up, are only entitled to participate in capital and assets up to the nominal value of the shares, but carry no further capital rights.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

28. Reserves

Capital redemption reserve

Capital redemption reserves are undistributable reductions in share capital.

Foreign exchange reserve

Foreign exchange reserves are undistributable temporary exchange rate gains and losses as a result of translation of enterprises that operate overseas.

Other reserves

Other reserves relate to unrealised gains and losses on derivative contracts, denoted as hedges of foreign exchange risk, held until maturity.

Certain subsidiary companies utilise variable to fixed rate interest swaps to manage their exposure to interest rate cash flow risk. These derivatives are measured at fair value at each balance sheet date. The cash flows associated with such hedges are expected to occur during the 12 month period from the balance sheet date.

Profit and loss account

Retained earnings are the distributable accumulation of profits and losses, net of dividends.

29. Business combinations

On 21 December 2016 the Group acquired 2,241,146 £1 preference shares in LGG Charlesworth Limited, an existing subsidiary undertaking, for cash consideration of £900,000. The fair value of the net assets acquired was £900,000, giving rise to no goodwill on acquisition.

As a result of the acquisition, non-controlling interests reduced by £3,308,107 and equity attributable to owners of the parent company increased by £2,408,107.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

30. Discontinued operations

Technevolve Limited was liquidated on 3 February 2015 resulting in no material profit or loss for the Group. Technevolve Limited had not traded for a number of years.

On 26 February 2015 the Group disposed of its 85% shareholding in Blue Marble Properties Limited, which later changed its name to Blue Marble Asset Management Limited, for £510,000 cash consideration. This resulted in a profit on disposal for the Group of £450,106.

On 28 December 2015 the Group disposed of its 87% shareholding in Romsey 2014 Limited for £2 cash consideration. This resulted in a profit on disposal for the Group of £865,122.

Prior to this transaction, Romsey 2014 Limited had sold its 100% interest in Intellitect Water Limited to another Group company, WQMS Holdings Limited. This had no profit or loss effect on the Group.

	£
Cash proceeds	510,002
	<u>510,002</u>
Net (assets)/liabilities disposed of:	
Cash	(9,089)
Other net liabilities	814,315
	<u>805,226</u>
Profit on disposal before tax	<u><u>1,315,228</u></u>

The net inflow of cash in respect of the sale of Blue Marble Properties Limited and Romsey 2014 Limited is as follows:

	£
Cash consideration	510,002
Cash transferred on disposal	(9,089)
Net inflow of cash	<u><u>500,913</u></u>

31. Capital commitments

At 31 December 2016 the Group had capital commitments where contracted but not provided for in these financial statements of £148,950 (2015 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

32. Pension commitments

A number of companies within the Group operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £220,107 (2015 - £144,740). Contributions totalling £13,726 (2015 - £11,795) were payable to the funds at the Balance Sheet date.

33. Commitments under operating leases

At 31 December 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Land and buildings		
Not later than 1 year	1,474,064	1,348,960
Later than 1 year and not later than 5 years	5,401,900	5,346,638
Later than 5 years	4,950,218	6,027,315
	11,826,182	12,722,913
	Group 2016 £	Group 2015 £
Other assets		
Not later than 1 year	174,341	180,195
Later than 1 year and not later than 5 years	102,644	222,104
Later than 5 years	-	-
	276,985	402,299

34. Other financial commitments

As at 31 December 2016 the Group had foreign currency exchange and option agreements in place, to be executed on a monthly basis with a sterling equivalent of £2,454,783 (2015 - £1,361,164).

The fair value of these was assessed by obtaining an independent valuation. The directors have concluded that the amounts involved are immaterial and therefore no adjustments have been made to the financial statements in respect of these contracts.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

35. Future minimum lease payments receivable under non-cancellable operating leases as lessor

At 31 December 2016 the Group as lessor had future minimum lease payments receivable under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	550,000	550,000
Later than 1 year and not later than 5 years	-	225,000
	550,000	775,000

The Company as lessor had no future minimum lease payments receivable under non-cancellable operating leases as at the balance sheet date.

36. Related party transactions

During the year, the Group was charged management fees totalling £440,075 (2015 - £353,137) by a partnership in which certain directors of the parent company are members. There were no amounts outstanding at either balance sheet date.

Included in creditors are other loans totalling £10,970,576 (2015 - £9,741,436) owed to companies in which certain directors of the parent company ultimately hold interests. Interest totalling £598,458 (2015 - £497,077) was charged on these loans during the year and is included in other loan interest payable. Of these amounts, £7,672,123 (2015 - £6,759,510) are secured by way of fixed and floating charges over the assets of the subsidiary companies to which they relate. Residual amounts totalling £3,298,453 (2015 - £2,981,926) are unsecured. Further details of these amounts are included in notes 21 and 22.

Included in creditors are loan notes totalling £400,937 (2015 - £398,500) owed to 2 directors of a subsidiary undertaking. Interest of £47,782 (2015 - £14,119) was charged on these loans during the year and is included in other loan interest payable. Further details of these amounts are included in notes 21 and 22.

Rents totalling £172,800 (2015 - £172,800) were paid in the year by subsidiary companies to limited liability partnerships in which certain directors of the parent company are members. There were no amounts outstanding at either balance sheet date.

Key management of group companies received total remuneration of £1,408,016 (2015 - £1,420,707).

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

37. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Direct subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Pemberstone Ventures (2013) Limited	Ordinary	100 %	Holding company

Indirect Subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Secura Labels Limited	Ordinary	59 %	Specialist label printing
The Real Georgian Bar Company Limited	Ordinary	70 %	Holding company Supplier of Georgian UPVC window products
The Georgian Bar Company Limited	Ordinary	70 %	Manufacturer of engineering and mechanical parts
LGG Charlesworth Limited	Ordinary	74 %	Manufacturer of engineering and mechanical parts
LGG Charlesworth Limited	Preference	100 %	Manufacturer of engineering and mechanical parts
Synthotec Group Limited	Ordinary	85 %	Holding company Manufacturer of precision injection mouldings
Synthotec Limited	Ordinary	85 %	Dormant
Harry Mason & Sons Limited	Ordinary	85 %	Dormant
Synthotec Slovakia Limited	Ordinary	85 %	Dormant Manufacturer of precision injection mouldings
Synthotec Slovakia s.r.o	Ordinary	85 %	Holding company Supplier of electrical and mechanical parts
MI Industries Limited	Ordinary	82 %	Supplier of electrical and mechanical parts
Pemberstone Logistics Limited	Ordinary	82 %	Supplier of electrical and mechanical parts
Maxim Industries Limited	Ordinary	82 %	Supplier of mechanical parts for the lock industry
Ingenious Locks and Hardware Limited	Ordinary	82 %	Supplier of electrical and mechanical parts
Ningbo Maxim Global Trade Co. Limited	Ordinary	82 %	Supplier of electrical and mechanical parts
WQMS Holdings Limited	Ordinary	85 %	Holding company Development and supply of of water measurement instrumentation
Intellitect Water Limited	Ordinary	85 %	Holding company
The Harman Group Limited	Ordinary	85 %	Manufacturer of photographic film and related products
Harman Technology Limited	Ordinary	85 %	Holding company
Westmoor Developments Limited	Ordinary	100 %	Property development
Westmoor Homes Limited	Ordinary	100 %	Property development
Westmoor Homes (2) Limited	Ordinary	100 %	Property development
Pemberstone Developments Limited	Ordinary	100 %	Property development
Pemberstone Properties (No.4) Limited	Ordinary	100 %	Property development

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

37. Subsidiary undertakings (continued)

All companies are incorporated in England and Wales with the exception of Synthotec Slovakia s.r.o., incorporated in Slovakia, and Ningbo Maxim Global Trade Co. Limited, incorporated in China.

The registered office of Synthotec Slovakia s.r.o. is Kysucká cesta 3, 010 61 Žilina, Slovakia. The registered office of Ningbo Maxim Global Trade Co. Limited is Room 903 Building 1, New World International Business Mansion, No. 1018 Min An Road, Jiandong District, Ningbo, Zhejiang, China 315041. All other subsidiary undertakings have the same registered office as the parent company, being Whittington Hall, Whittington Road, Worcester, WR5 2ZX.

All subsidiary undertakings have been consolidated in these financial statements in accordance with accounting policy note 2.2.

There are no significant restrictions on any subsidiary undertaking on their ability to repay loans and dividends to the parent entity.

Subsequent to the year end, Harry Mason & Sons Limited, a dormant company, was struck off with no net impact on the group's net assets or profits and losses.