

Registered number: 08659981

PEMBERSTONE VENTURES LIMITED

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

WEDNESDAY



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COMPANIES HOUSE

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

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PEMBERSTONE VENTURES LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Introduction

The directors present their strategic report for the year ended 31 December 2017.

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 further shareholdings in subsidiary undertakings from non-controlling interests totalling £229,365. As a result of these transactions the share of net assets pertaining to non-controlling interests decreased by £236,480 and the share of net assets pertaining to owners of the parent company remained unchanged. Further details of the acquisition are included in note 27 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.

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 12.

The Group 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.

PEMBERSTONE VENTURES LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 27.

PEMBERSTONE VENTURES LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key performance indicators

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

	2017 £'000	2016 £'000	Change £'000	Change %
Financial key performance indicators (continuing operations)				
Turnover	44,406	42,175	2,231	5
Operating profit	2,816	1,987	829	42
Profit before tax	1,783	1,048	735	70
Cash & cash equivalents	1,928	304	1,624	534
Non-financial key performance indicators				
Employee numbers	385	369	16	4

Turnover for the Group increased by 5% during the year with notable growth apparent in respect of Ingenious Locks & Hardware Limited (a £735k increase in year on year revenue as the Company continues to gain market share in the UK window and door hardware market); Synthotec Group Limited (a £1,222k increase in year on year revenue across both the domestic and EU injection moulding market for the automotive sector); and Harman Technology Limited (a £1,321k increase in year on year revenue as the resurgence of analogue photography continues, with encouraging growth in markets outside the EU). Maxim Industries Limited experienced a decrease in revenue of £1,244k as it continues to refocus on higher margin opportunities.

Operating profit increased by 42% to £2,816k (2016 - £1,987k). Instrumental in this was an increase in the operating profit of Harman Technology Limited of £1,472k in part as a result of the inclusion in 2016 of £523k of exceptional costs associated with a restructuring programme (as detailed in note 12 to the financial statements); but also through growth in export sales combined with a favourable currency environment, particularly in the first half of 2017.

A strong sales performance in Synthotec Group Limited also gives a £173k increase in operating profitability across both UK and Slovakian operations, with investment in factory expansion in the latter of these in the first half of 2017 quick to yield benefit. Continued investment in product development and personnel at Intellitect Water Limited sees an increase in operating losses attributed to this entity of £92k.

The increase in operating profitability at a subsidiary level is offset in part due to a reduction in amortisation of net negative goodwill. A net credit of £207k is included in the Consolidated Statement of Comprehensive Income in the current year (2016 - £966k credit). The reduction in the net credit year on year is predominantly attributed to the basis of allocation of negative goodwill on the acquisition of Harman Technology Limited. A proportion of negative goodwill on acquisition was amortised over the 6 month period following acquisition. Further details are provided in note 13 to the financial statements.

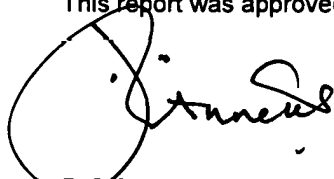
Profit before tax for the group increased by 70% to £1,783k (2016 - £1,048k) primarily for the reasons stated above. An increase in interest costs of £95k is predominantly associated with the funding of development stock in Pemberstone Developments Limited, as well as the funding of increased working capital requirements across a number of subsidiaries by way of invoice discounting and stock loan facilities.

A net credit to the Consolidated Statement of Comprehensive Income of £1,334k (2016 - £814k charge) comprises gains of £57k (2016 - £134k gain) on consolidation of overseas entities (principally Synthotec Slovakia s.r.o.) and credits to hedging reserves in respect of FX contracts of £1,276k (2016 - £948k charge) arising primarily in Harman Technology Limited.

PEMBERSTONE VENTURES LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

This report was approved by the board on 15 August 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'D.C. Annetts', is written over a large, loopy circular mark.

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

PEMBERSTONE VENTURES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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 £1,505,105 (2016 - £713,384).

Ordinary dividends of £Nil (2016 - £Nil) were paid during the year.

Directors

The directors who served during the year were:

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

PEMBERSTONE VENTURES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Future developments

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

Secura Labels Limited

The Company has invested in both a digital printing capability and modernised machine capability to enhance its quality, efficiency 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 2018.

Synthotec Group 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 the UK and newly expanded Slovakian factory.

Talisman Plastics Limited (Formerly 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 and has further strengthened its management team as part of its growth plans for the forthcoming year. In February 2018, the Company acquired the trade and assets of Kennet Plastics and Tupak Limited as part of its overall investment strategy. In May 2018 the Company changed its name to Talisman Plastics Limited to strategically strengthen its core brand.

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 the development of a quality core product range for the window and door hardware market.

Intellitect Water Limited

The Company continues to enhance and deploy a water quality management solution enabling real time, network wide quality and flow management capability to customers on a worldwide basis. Work is continuing with major water companies to prove the system capability and thereby deliver a commercial solution in 2018-19.

Harman Technology Limited

The Company is actively developing its sales and marketing capability through investment in personnel, 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 2018.

PEMBERSTONE VENTURES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 with projects researched 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 hardware market.

Talisman Plastics Limited (Formerly 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 2017**

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

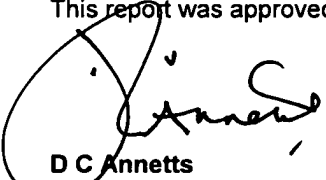
On 5 February 2018, Talisman Plastics Limited (Formerly LGG Charlesworth Limited), a subsidiary undertaking, acquired the trade and assets of Kennet Plastics and Tupak Limited for £110,000.

There have been no further 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 15 August 2018 and signed on its behalf.



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

PEMBERSTONE VENTURES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEMBERSTONE VENTURES LIMITED

Opinion

We have audited the financial statements of Pemberstone Ventures Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

PEMBERSTONE VENTURES LIMITED

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

knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PEMBERSTONE VENTURES LIMITED

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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.

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

15 August 2018

PEMBERSTONE VENTURES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	44,405,508	42,175,413
Cost of sales		(28,425,534)	(28,692,146)
Gross profit		15,979,974	13,483,267
Distribution costs		(1,677,673)	(1,619,991)
Administrative expenses		(12,134,559)	(10,129,582)
Exceptional administrative expenses	12	-	(522,788)
Other operating income	5	700,715	795,488
Other operating charges		(52,754)	(18,975)
Operating profit	6	2,815,703	1,987,419
Amounts written off investments		(50)	-
Interest receivable and similar income	9	2,376	261
Interest payable and expenses	10	(1,035,088)	(939,590)
Profit before taxation		1,782,941	1,048,090
Tax on profit	11	164,587	216,917
Profit for the financial year		1,947,528	1,265,007
Exchange movements		57,259	133,631
Movements on hedging reserves		1,276,490	(947,974)
Other comprehensive income for the year		1,333,749	(814,343)
Total comprehensive income for the year		3,281,277	450,664
Profit for the year attributable to:			
Non-controlling interests		442,423	551,623
Owners of the parent Company		1,505,105	713,384
		1,947,528	1,265,007
Total comprehensive income for the year attributable to:			
Non-controlling interest		640,987	409,443
Owners of the parent Company		2,640,290	41,221
		3,281,277	450,664

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 21 to 56 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED
REGISTERED NUMBER: 08659981

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Positive goodwill	13	893,823	1,042,794
Negative goodwill	13	(595,058)	(943,385)
Other intangible assets	13	511	2,045
		<u>299,276</u>	<u>101,454</u>
Tangible fixed assets	14	5,370,647	4,465,565
Fixed asset investments	15	-	50
		<u>5,669,923</u>	<u>4,567,069</u>
Current assets			
Stocks	16	12,414,770	11,190,643
Debtors: amounts falling due after more than one year	17	583,479	797,036
Debtors: amounts falling due within one year	17	9,748,012	9,914,596
Cash at bank and in hand	18	1,999,844	1,350,147
		<u>24,746,105</u>	<u>23,252,422</u>
Creditors: amounts falling due within one year	19	(18,855,973)	(19,545,188)
Net current assets		<u>5,890,132</u>	<u>3,707,234</u>
Total assets less current liabilities		<u>11,560,055</u>	<u>8,274,303</u>
Creditors: amounts falling due after more than one year	20	(5,020,709)	(4,555,302)
Provisions for liabilities			
Deferred tax	23	(328,911)	(352,387)
Other provisions	24	-	(44,701)
		<u>(328,911)</u>	<u>(397,088)</u>
Net assets		<u><u>6,210,435</u></u>	<u><u>3,321,913</u></u>

PEMBERSTONE VENTURES LIMITED
REGISTERED NUMBER: 08659981

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Capital and reserves			
Called up share capital	25	1,349	1,300
Share premium account	26	9,951	-
Capital redemption reserve	26	676,000	676,000
Foreign exchange reserve	26	140,447	83,188
Other reserves	26	192,208	(885,718)
Profit and loss account	26	4,435,949	2,930,844
Equity attributable to owners of the parent Company		5,455,904	2,805,614
Non-controlling interests		754,531	516,299
		6,210,435	3,321,913

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 August 2018.

M A Anslow
Director



D J Moore
Director



The notes on pages 21 to 56 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED
REGISTERED NUMBER: 08659981

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	15	1,300	1,300
		<u>1,300</u>	<u>1,300</u>
Current assets			
Debtors: amounts falling due within one year	17	25,008	25,000
Cash at bank and in hand	18	9,919	-
		<u>34,927</u>	<u>25,000</u>
Total assets less current liabilities		36,227	26,300
Net assets		<u>36,227</u>	<u>26,300</u>
Capital and reserves			
Called up share capital	25	1,349	1,300
Share premium account	26	9,951	-
Profit and loss account brought forward		25,000	25,000
Loss/(profit) for the year		<u>(73)</u>	<u>-</u>
Profit and loss account carried forward		<u>24,927</u>	<u>25,000</u>
		<u>36,227</u>	<u>26,300</u>

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 financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 August 2018.

M A Anslow
Director



D J Moore
Director



The notes on pages 21 to 56 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	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 2017	1,300	-	676,000	83,188	(885,718)	2,930,844	2,805,614	516,299	3,321,913
Profit for the year	-	-	-	-	-	1,505,105	1,505,105	442,423	1,947,528
Exchange movements	-	-	-	57,259	-	-	57,259	-	57,259
Movements on hedging reserves	-	-	-	-	1,077,926	-	1,077,926	198,564	1,276,490
Total comprehensive income for the year	-	-	-	57,259	1,077,926	1,505,105	2,640,290	640,987	3,281,277
Shares issued during the year	49	9,951	-	-	-	-	10,000	-	10,000
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	(166,275)	(166,275)
Changes in non-controlling interests	-	-	-	-	-	-	-	(236,480)	(236,480)
At 31 December 2017	1,349	9,951	676,000	140,447	192,208	4,435,949	5,455,904	754,531	6,210,435

Changes in the proportion of non-controlling interests in certain subsidiary undertakings has resulted in a decrease in non-controlling interests of £236,480.

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
Comprehensive income for the year								
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 paid to 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

The notes on pages 21 to 56 form part of these financial statements.

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 the proportion of non-controlling interests in a subsidiary undertaking.

PEMBERSTONE VENTURES LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1,300	-	25,000	26,300
Loss for the year	-	-	(73)	(73)
Shares issued during the year	49	9,951	-	10,000
At 31 December 2017	1,349	9,951	24,927	36,227

**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

The notes on pages 21 to 56 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,947,528	1,265,007
Adjustments for:		
Amortisation of intangible assets	(204,937)	(963,803)
Depreciation of tangible assets	1,181,017	1,038,385
Amounts written off fixed asset investments	50	-
Profit on disposal of tangible assets	(53,144)	(579)
Government grants	(21,271)	(21,254)
Interest payable	1,035,088	939,590
Interest receivable	(2,376)	(261)
Taxation charge	(164,587)	(216,917)
(Increase)/decrease in stocks	(1,224,127)	483,906
Decrease/(increase) in debtors	594,181	(573,623)
Increase in creditors	431,562	62,168
(Decrease)/increase in provisions	(44,701)	44,701
Corporation tax received	189,440	20,907
Net cash generated from operating activities	<u>3,663,723</u>	<u>2,078,227</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,483,709)	(1,007,831)
Sale of tangible fixed assets	92,463	6,590
Government grants received	8,402	6,983
Purchase of fixed asset investments	(229,365)	(900,000)
Interest received	2,376	261
HP interest paid	(36,305)	(31,242)
Net cash from investing activities	<u>(1,646,138)</u>	<u>(1,925,239)</u>

PEMBERSTONE VENTURES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from financing activities		
Issue of ordinary shares	10,000	-
Repayment of loans	(49,400)	(49,400)
Other new loans	399,090	1,471,450
Repayment of other loans	(209,199)	(663,078)
Net repayment of finance leases	(354,786)	(272,616)
Movements on invoice discounting	479,535	55,724
Interest paid	(502,677)	(533,589)
Dividends paid to non controlling interests	(166,275)	(150,495)
Net cash used in financing activities	<u>(393,712)</u>	<u>(142,004)</u>
Net increase in cash and cash equivalents	1,623,873	10,984
Cash and cash equivalents at beginning of year	304,141	293,157
Cash and cash equivalents at the end of year	<u>1,928,014</u>	<u>304,141</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,999,844	1,350,147
Bank overdrafts	(71,830)	(1,046,006)
	<u>1,928,014</u>	<u>304,141</u>

The notes on pages 21 to 56 form part of these financial statements.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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.

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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.

2.7 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.

2.8 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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.9 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.

2.10 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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.11 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 the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

2.12 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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.13 Hedge accounting

The Group uses foreign currency forward contracts to manage its exposure to exchange rate 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.

2.14 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.

2.15 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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.16 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.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.17 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.

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

2.18 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts 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.

2.19 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.

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.21 Interest income

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

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.22 Borrowing costs

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

2.23 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.

2.24 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.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.25 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.

2.26 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.

2.27 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 directors perform 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 operational usage. During the period of construction, the directors 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 2017 the carrying value of assets under construction was £88,058 (2016 - £98,163).

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 value. At 31 December 2017 the carrying value of tooling was £230,299 (2016 - £256,884).

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 2017 the carrying value of positive goodwill was £893,823 (2016 - £1,042,794) and the carrying value of negative goodwill was (£595,058) (2016 - (£943,385)).

Stock

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

At 31 December 2017 development stock in Pemberstone Developments Limited is held at a valuation of £2,897,445 (2016 - £2,827,142). This takes account of the directors' assessment of net realisable value and includes a provision of £1,295,705 (2016 - £1,295,705). During the year amounts totalling £Nil were credited (2016 - £30,000) to profit or loss.

During the prior 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 £Nil (2016 - £613,000) and a corresponding expense recognised in the Consolidated Statement of Comprehensive Income.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017 the carrying value of deferred tax assets was £583,479 (2016 - £797,036). At 31 December 2017 the carrying value of deferred tax liabilities was £328,911 (2016 - £352,387). Further details are contained in note 23.

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.

4. Turnover

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

	2017 £	2016 £
Supply of engineered electrical and mechanical parts	10,975,523	11,475,645
Precision injection moulding	6,805,788	5,583,585
Engineering products for the plastics industry	4,346,790	4,258,433
Specialist label printing	1,684,780	1,712,707
Manufacture of photographic film and related products	20,119,203	18,798,309
Other	473,424	346,734
	<u>44,405,508</u>	<u>42,175,413</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	17,298,962	18,265,579
Rest of Europe	13,948,322	11,857,091
Rest of the World	13,158,224	12,052,743
	<u>44,405,508</u>	<u>42,175,413</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Other operating income

	2017 £	2016 £
Other operating income	94,546	164,476
Net rents receivable	561,571	586,006
Royalties receivable	23,327	23,752
Government grants receivable	21,271	21,254
	<u>700,715</u>	<u>795,488</u>

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	255,243	318,062
Depreciation of tangible fixed assets	1,181,017	1,038,385
Amortisation of intangible assets, including goodwill	(204,937)	(963,803)
Profit on disposal of tangible fixed assets	(53,144)	(579)
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	83,580	61,880
Exchange differences	912,196	297,675
Operating leases: land and buildings	1,476,589	1,437,143
Operating leases: plant and machinery	118,473	123,984
Operating leases: other	98,510	58,172
	<u> </u>	<u> </u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Employees

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	10,761,583	10,153,810	-	-
Social security costs	987,168	942,727	-	-
Cost of defined contribution scheme	233,213	220,107	-	-
	<u>11,981,964</u>	<u>11,316,644</u>	<u>-</u>	<u>-</u>

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

	2017 No.	2016 No.
Production	270	255
Administration	86	69
Sales	29	45
	<u>385</u>	<u>369</u>

The average monthly number of employees in the Company during the year was 0 (2016 - 0).

8. Directors' remuneration

During the year, no director of the Company received any emoluments (2016 - £Nil) from either the Company or any subsidiary undertaking.

Key management remuneration is included in note 31.

9. Interest receivable

	2017 £	2016 £
Other interest receivable	2,376	261
	<u>2,376</u>	<u>261</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	276,062	256,355
Other loan interest payable	722,721	651,993
Finance leases and hire purchase contracts	36,305	31,242
	<u>1,035,088</u>	<u>939,590</u>

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	(145,468)	(4,251)
Adjustments in respect of previous periods	(311,597)	(98,062)
	<u>(457,065)</u>	<u>(102,313)</u>
Foreign tax		
Foreign tax on income for the year	102,397	103,933
	<u>102,397</u>	<u>103,933</u>
Total current tax	<u>(354,668)</u>	<u>1,620</u>
Deferred tax		
Origination and reversal of timing differences	190,081	(120,542)
Adjustments in respect of prior periods	-	(97,995)
Total deferred tax	<u>190,081</u>	<u>(218,537)</u>
Taxation on profit on ordinary activities	<u>(164,587)</u>	<u>(216,917)</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,782,941</u>	<u>1,048,090</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	343,216	209,618
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	(39,450)	(192,761)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	96,969	105,629
Capital allowances for year in excess of depreciation	(32,176)	(44,484)
Higher rate taxes on overseas earnings	23,487	1,841
Adjustments to tax charge in respect of prior periods	(311,597)	(196,057)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(358,345)	(180,258)
Capital gains	-	15
Unrelieved tax losses carried forward	112,752	80,034
Other differences leading to a decrease in the tax charge	557	(494)
Total tax charge for the year	<u>(164,587)</u>	<u>(216,917)</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Exceptional items

	2017 £	2016 £
Restructuring costs	-	522,788
	<u>-</u>	<u>522,788</u>

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 £Nil (2016 - £522,788) were incurred as a result of the programme.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Intangible assets

Group and Company

	Patents £	Goodwill £	Negative goodwill £	Total £
Cost				
At 1 January 2017	4,651	1,907,402	(3,476,116)	(1,564,063)
Additions	-	16,253	(23,368)	(7,115)
At 31 December 2017	4,651	1,923,655	(3,499,484)	(1,571,178)
Amortisation				
At 1 January 2017	2,606	864,608	(2,532,731)	(1,665,517)
Charge for the year	1,534	165,224	(371,695)	(204,937)
At 31 December 2017	4,140	1,029,832	(2,904,426)	(1,870,454)
Net book value				
At 31 December 2017	511	893,823	(595,058)	299,276
At 31 December 2016	2,045	1,042,794	(943,385)	101,454

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 6 years as at 31 December 2017.

Negative goodwill with a carrying value of £595,058 (2016 - £943,385) 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 1.75 years as at 31 December 2017.

Additions to both positive and negative goodwill during the year arise on the acquisition of non-controlling interests in certain subsidiary undertakings.

PEMBERSTONE VENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. 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 2017	76,410	99,559	7,386,884	152,635	224,634	490,648	98,163	8,528,933
Additions	-	-	1,740,748	86,619	27,565	58,260	214,797	2,127,989
Disposals	-	-	(338,573)	(54,305)	-	(815)	-	(393,693)
Transfers between classes	-	-	47,814	-	-	177,088	(224,902)	-
Exchange adjustments	-	-	67,174	4,821	-	2,491	-	74,486
At 31 December 2017	76,410	99,559	8,904,047	189,770	252,199	727,672	88,058	10,337,715
Depreciation								
At 1 January 2017	72,840	47,538	3,342,935	82,980	156,761	360,314	-	4,063,368
Charged on owned assets	1,021	20,130	861,199	25,623	24,228	71,309	-	1,003,510
Charged on financed assets	-	-	175,257	-	-	2,250	-	177,507
Disposals	-	-	(315,661)	(38,405)	-	(308)	-	(354,374)
Exchange adjustments	-	-	72,485	3,021	-	1,551	-	77,057
At 31 December 2017	73,861	67,668	4,136,215	73,219	180,989	435,116	-	4,967,068

PEMBERSTONE VENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. Tangible fixed assets (continued)

Net book value

At 31 December 2017	<u>2,549</u>	<u>31,891</u>	<u>4,767,832</u>	<u>116,551</u>	<u>71,210</u>	<u>292,556</u>	<u>88,058</u>	<u>5,370,647</u>
At 31 December 2016	<u>3,570</u>	<u>52,021</u>	<u>4,043,949</u>	<u>69,655</u>	<u>67,873</u>	<u>130,334</u>	<u>98,163</u>	<u>4,465,565</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets (continued)

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

	2017 £	2016 £
Long leasehold	2,549	3,570
Short leasehold	31,891	52,021
	<u>34,440</u>	<u>55,591</u>

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

	2017 £	2016 £
Plant and machinery	931,368	812,048
Motor vehicles	53,990	77,129
Other fixed assets	-	2,250
	<u>985,358</u>	<u>891,427</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Fixed asset investments

Group

	Investments in associates £
At 1 January 2017	50
Disposals	(50)
At 31 December 2017	-
At 31 December 2017	-
At 31 December 2016	50

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	<u>1,300</u>
At 31 December 2017	<u>1,300</u>
Net book value	
At 31 December 2017	<u>1,300</u>
At 31 December 2016	<u>1,300</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Raw materials and consumables	2,183,392	1,893,452	-	-
Work in progress (goods to be sold)	2,834,696	2,880,018	-	-
Finished goods and goods for resale	4,499,237	3,590,031	-	-
Development stock	2,897,445	2,827,142	-	-
	<u>12,414,770</u>	<u>11,190,643</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 £17,921,905 (2016 - £19,088,666).

No material impairment losses (2016 - £60,661) were recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

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 19 and 20.

The closing balance includes a provision of £1,295,705 (2016 - £1,295,705) for foreseeable losses reflecting the directors' assessment of the net realisable value of this asset class. Amounts totalling £Nil (2016 - £30,000) were credited to cost of sales during the year as a result of this assessment.

Development stock balances consist of:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Costs to date less provisions for losses	2,897,445	2,827,142	-	-
	<u>2,897,445</u>	<u>2,827,142</u>	<u>-</u>	<u>-</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Deferred tax asset	583,479	797,036	-	-
	<u>583,479</u>	<u>797,036</u>	<u>-</u>	<u>-</u>
	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due within one year				
Trade debtors	7,024,013	8,028,441	-	-
Amounts owed by group undertakings	-	-	24,950	25,000
Other debtors	364,104	131,910	40	-
Prepayments and accrued income	1,568,823	1,383,770	-	-
Tax recoverable	556,603	370,475	18	-
Financial instruments	234,469	-	-	-
	<u>9,748,012</u>	<u>9,914,596</u>	<u>25,008</u>	<u>25,000</u>

An impairment loss of £143,334 (2016 - £8,649) was recognised against trade debtors during the year and charged to administrative expenses.

18. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	1,999,844	1,350,147	9,919	-
Less: bank overdrafts	(71,830)	(1,046,006)	-	-
	<u>1,928,014</u>	<u>304,141</u>	<u>9,919</u>	<u>-</u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	71,830	1,046,006	-	-
Bank loans	5,262,059	4,782,524	-	-
Other loans	8,445,201	8,131,781	-	-
Trade creditors	2,170,087	1,742,574	-	-
Corporation tax	174,789	153,891	-	-
Other taxation and social security	304,616	298,245	-	-
Obligations under finance lease and hire purchase contracts	372,769	251,140	-	-
Other creditors	548,954	802,454	-	-
Accruals and deferred income	1,505,668	1,294,552	-	-
Financial instruments	-	1,042,021	-	-
	18,855,973	19,545,188	-	-

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Creditors: Amounts falling due within one year (continued)

Bank overdrafts of £71,830 (2016 - £1,046,006) are secured by fixed and floating charges over the assets of individual subsidiary companies.

Included in bank loans are amounts totalling £49,400 (2016 - £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 £5,212,659 (2016 - £4,733,124) which are secured by fixed and floating charges over the assets of individual subsidiary companies.

Included in other loans are amounts totalling £7,096,651 (2016 - £6,844,662) which are secured by fixed and floating charges over the assets of certain group companies. The remaining £1,348,550 (2016 - £1,287,119) is unsecured.

Of the amounts included in other loans:

£339,537 (2016 - £400,937) bears an interest rate of 12%;
£1,192,381 (2016 - £1,080,238) bears an interest rate of 10%;
£1,675,000 (2016 - £1,650,000) bears an interest rate of 8%;
£156,169 (2016 - £210,506) bears an interest rate of Bank of England Base Rate plus 4%;
£595,000 (2016 - £595,000) bears an interest rate of Bank of England Base Rate plus 2%;
£900,000 (2016 - £900,000) bears an interest rate of 2%;
£3,060,509 (2016 - £2,772,120) bears an interest rate of Bank of England Base Rate plus 1%; and
£526,605 (2016 - £522,980) bears no interest.

Of the amounts included in other loans:

£339,537 (2016 - £400,937) is required to be repaid on or before 10 September 2025;
£Nil (2016 - £58,720) is repayable in monthly instalments of £3,199;
£8,105,664 (2016 - £7,672,124) have no fixed repayments.

Further details of amounts included in other loans are included in note 32.

Obligations under finance lease and hire purchase contracts of £372,769 (2016 - £251,140) are secured on the individual assets to which they relate.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	732,050	781,450	-	-
Other loans	3,640,663	3,298,453	-	-
Net obligations under finance leases and hire purchase contracts	647,996	475,399	-	-
	5,020,709	4,555,302	-	-

Included in bank loans are amounts totalling £732,050 (2016 - £781,450) 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 £3,640,663 (2016 - £3,298,453) which are unsecured.

Of the amounts included in other loans:

£3,640,663 (2016 - £3,298,453) bears an interest rate of 10%; and

Of the amounts included in other loans:

£3,640,663 (2016 - £3,298,453) have no fixed repayments.

Obligations under finance lease and hire purchase contracts of £647,996 (2016 - £475,399) are secured on the individual assets to which they relate.

Further details of amounts included in other loans are included in note 32.

No amounts fall due in greater than 5 years at either year end.

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year	372,769	251,140	-	-
Between 1-5 years	647,996	215,110	-	-
Over 5 years	-	260,289	-	-
	1,020,765	726,539	-	-

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	7,388,117	8,160,351	24,990	25,000
Derivative financial instruments designated as hedges of foreign exchange risk	234,469	-	-	-
	<u>7,622,586</u>	<u>8,160,351</u>	<u>24,990</u>	<u>25,000</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(23,509,715)	(22,606,333)	-	-
Derivative financial instruments designated as hedges of foreign exchange risk	-	(1,042,021)	-	-
	<u>(23,509,715)</u>	<u>(23,648,354)</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, accruals and deferred income and other creditors.

23. Deferred taxation

Group

	2017 £
At beginning of year	444,649
Credited to profit or loss	(190,081)
Other movements	-
At end of year	<u><u>254,568</u></u>

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(289,839)	(352,387)	-	-
Tax losses carried forward	544,005	797,036	-	-
Other	402	-	-	-
	<u>254,568</u>	<u>444,649</u>	<u>-</u>	<u>-</u>
Comprising:				
Asset - due after one year	583,479	797,036	-	-
Liability	(328,911)	(352,387)	-	-
	<u>254,568</u>	<u>444,649</u>	<u>-</u>	<u>-</u>

Of the amounts included in deferred tax assets, £Nil (2016 - £Nil) is expected to be recovered within 12 months. Remaining balances totalling £583,479 (2016 - £797,036) are expected to be recovered after more than 12 months.

Of the amounts included in deferred tax liabilities, £53,741 (2016 - £63,430) is expected to be recovered within 12 months. Remaining balances totalling £275,170 (2016 - £288,957) are expected to be recovered after more than 12 months.

24. Provisions

Group

	Other provisions £
At 1 January 2017	44,701
Utilised in year	(44,701)
At 31 December 2017	<u>-</u>

Other provisions relate to restructuring costs and were utilised during the year ended 31 December 2017.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
3,640 ordinary 'A' shares of £0.25 each	910	910
1,482 (2016 - 1,560) ordinary 'B' shares of £0.25 each	371	390
404 ordinary 'C' shares of £0.10 each	40	-
173 ordinary 'D' shares of £0.05 each	9	-
78 ordinary 'E' shares of £0.25 each	19	-
	<u>1,349</u>	<u>1,300</u>

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

The 'B' ordinary shares have no voting rights, carry the right to participate in 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.

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

The 'D' ordinary shares have no voting rights, carry the right to participate in 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.

The 'E' ordinary shares have no voting rights, carry the right to participate in 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.

During the year the company allotted 404 'C' ordinary shares of £0.10 each with a nominal value of £40 and 173 'D' ordinary shares of £0.05 each with a nominal value of £9. The total consideration received in respect of these shares was £10,000.

During the year, 78 ordinary 'B' shares of £0.25 each were redesignated as 'E' ordinary shares of £0.25 each.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

26. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

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.

27. Business combinations

On 10 January 2017 the Group acquired 250 £1 ordinary 'B' shares in Synthotec Group Limited, an existing subsidiary undertaking, for cash consideration of £50,000. The fair value of the net assets acquired was £73,368 giving rise to negative goodwill on acquisition of £23,368. Goodwill arising was fully amortised during the year.

On 14 October 2017 the Group acquired 90 £0.10 ordinary shares in LGG Charlesworth Limited, an existing subsidiary undertaking, for cash consideration of £1,000. Further costs of £4,500 were also incurred in respect of the acquisition in 2016 of preference share capital in the same subsidiary. The fair value of the net assets acquired was £Nil giving rise to goodwill on acquisition of £5,500. Goodwill arising was fully amortised during the year.

On 14 October 2017 the Group acquired 412 ordinary shares in Secura Labels Limited, an existing subsidiary undertaking, for cash consideration of £173,865. The fair value of the net assets acquired was £163,112 giving rise to goodwill on acquisition of £10,753. Goodwill arising was fully amortised during the year.

As a result of these acquisitions, non-controlling interests decreased by £236,480 and equity attributable to owners of the parent company remained unchanged.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28. Contingent liabilities

A subsidiary undertaking, Pemberstone Developments Limited, has entered into cross guarantees with Bank of Scotland ('BoS') for bank facilities with associated companies. The loans are secured in favour of BoS including fixed and floating charges over the assets of the subsidiary undertaking and cross guarantees. At 31 December 2017 the contingent liability under these facilities amounted to £3,921,900 (2016: £4,134,600).

29. Capital commitments

At 31 December 2017 the Group had capital commitments where contracted but not provided for in these financial statements of £Nil (2016 - £148,950).

30. 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 £233,213 (2016 - £220,107). Contributions totalling £8,307 (2016 - £13,726) were payable to the funds at the Balance Sheet date.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

31. Commitments under operating leases

At 31 December 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Land and buildings				
Not later than 1 year	1,476,479	1,474,064	-	-
Later than 1 year and not later than 5 years	5,172,889	5,401,900	-	-
Later than 5 years	3,726,745	4,950,218	-	-
	<u>10,376,113</u>	<u>11,826,182</u>	<u>-</u>	<u>-</u>
	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other assets				
Not later than 1 year	114,894	174,341	-	-
Later than 1 year and not later than 5 years	128,938	102,644	-	-
Later than 5 years	-	-	-	-
	<u>243,832</u>	<u>276,985</u>	<u>-</u>	<u>-</u>

The Company had no commitments under non-cancellable operating leases as at the balance sheet date.

PEMBERSTONE VENTURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

32. Related party transactions

During the year, the Group was recharged costs and charged management fees totalling £471,858 (2016 - £440,075) by a partnership in which certain directors of the parent company (and certain of their family members) are members. There were no amounts outstanding at either balance sheet date.

Included in creditors are other loans totalling £11,746,327 (2016 - £10,970,576) owed to companies in which certain directors of the parent company ultimately hold interests and a partnership in which certain directors (and certain of their family members) are members. Interest totalling £662,334 (2016 - £598,458) was charged on these loans during the year and is included in other loan interest payable. Of these amounts, £6,757,114 (2016 - £6,385,004) are secured by way of fixed and floating charges over the assets of certain group companies. Residual amounts totalling £4,989,213 (2016 - £4,585,572) are unsecured. Further details of these amounts are included in notes 19 and 20.

Included in creditors are loan notes totalling £339,536 (2016 - £400,937) owed to 2 directors of a subsidiary undertaking. Interest of £55,445 (2016 - £47,782) 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 19 and 20.

Rents totalling £172,800 (2016 - £172,800) were paid in the year by subsidiary companies to partnerships in which certain directors of the parent company ultimately hold interests. There were no amounts outstanding at either balance sheet date.

Key management of group companies received total remuneration of £1,365,773 (2016 - £1,408,016).

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33. Subsidiary undertakings

All subsidiary 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.

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

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33. Subsidiary undertakings (continued)

Indirect Subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Secura Labels Limited	Ordinary	100 %	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 %	
Talisman Plastics Limited	Ordinary	82 %	Plastic injection moulding and
(Formerly LGG Charlesworth Limited)	Preference	100 %	compression moulding services
LGG Charlesworth Limited (Formerly Talisman Plastics Limited)	Ordinary	82 %	Dormant
Talisman Mouldings Limited	Ordinary	82 %	Dormant
Talisman Caps and Closures Limited	Ordinary	82 %	Dormant
Talisman Tooling Limited	Ordinary	82 %	Dormant
Talisman Security Seals Limited	Ordinary	82 %	Dormant
Synthotec Group Limited	Ordinary	90 %	Holding company Manufacture of precision injection mouldings
Synthotec Limited	Ordinary	90 %	
Synthotec Slovakia Limited	Ordinary	90 %	Dormant Manufacture of precision injection mouldings
Synthotec Slovakia s.r.o.	Ordinary	90 %	
MI Industries Limited	Ordinary	82 %	Holding company Supplier of electrical and mechanical parts
Maxim Industries Limited	Ordinary	82 %	
Ingenious Locks & Hardware Limited	Ordinary	82 %	Supplier of products for the window and door locks and hardware industry Supplier of electrical and mechanical parts
Ningbo Maxim Global Trade Co Limited	Ordinary	82 %	
Pemberstone Logistics Limited	Ordinary	82 %	Dormant
WQMS Holdings Limited	Ordinary	85 %	Holding company Development and supply of water measurement instrumentation
Intellitect Water Limited	Ordinary	85 %	
The Harman Group Limited	Ordinary	85 %	Holding company Manufacture of photographic film and related products
Harman Technology Limited	Ordinary	85 %	
Westmoor Developments Limited	Ordinary	100 %	Holding company
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 %	Dormant