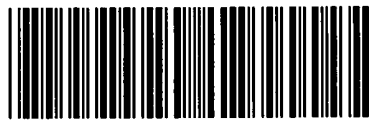


**H.W. COATES (HOLDINGS) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

SATURDAY



A18 \*A7B5QMHV\* #173  
28/07/2018  
COMPANIES HOUSE

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**H.W. COATES (HOLDINGS) LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

M H A Coates  
G G Coates  
T H Coates  
G W Ball  
R Perry  
M G M Coates  
R L Morris

**COMPANY SECRETARY:** R L Morris

**REGISTERED NUMBER** 07107882

**REGISTERED OFFICE** Ladywood House  
Ladywood Works  
Leicester Road  
Lutterworth  
Leicestershire  
LE17 4HD

**INDEPENDENT AUDITORS**

MHA MacIntyre Hudson  
Chartered Accountants & Statutory Auditors  
11 Merus Court  
Meridian Business Park  
Leicester  
LE19 1RJ

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**H.W. COATES (HOLDINGS) LIMITED**

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## **H.W. COATES (HOLDINGS) LIMITED**

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

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The directors present their Strategic Report on the Group for the year ended 31 December 2017.

#### **BUSINESS REVIEW**

The principal activity of the Company is that of a holding company.

The Group is principally engaged in warehousing and distribution. There has been no significant change in the Group's activities during the year.

We aim to present a balanced summary of the performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties that we face.

In 2017 we continued to focus on our core market of the warehousing and transport of packaged chemicals. This market has been the long term focus of the Group and it is envisaged that it will continue to be so for many years to come.

In line with this focus we continued to invest in our vehicle fleet and in our warehouses. We have undertaken sales activity, trained and invested in our staff and met our regulatory requirements.

Our overall turnover for the year was £49,824,748, up from £48,531,642 in 2016. Our operating profit decreased from £10,400,498 to £10,375,319.

#### **FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS**

We measure our performance using a variety of key performance indicators. Of most importance to the Group are sales and profit, as reported above.

We also keep track of our cash in bank and in hand. In the course of 2017 cash decreased from £5,354,009 to £711,517 reflecting increased investment in line with our stated policies.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance.

The macro-economic background in which we operate has been broadly stable in 2017. If the wider economy does fall then this would have a negative effect on our business.

Of factors more under our control, we face the risk of loss of customers. This would have the effect of reducing sales and so profit. We aim to mitigate this risk by providing a good service and keeping customer accounts under review.

Where costs increase, for example the price of diesel, this has the effect of lowering profits. We aim to minimise these cost increases wherever possible.

With these risks and uncertainties in mind it has been the Group's policy to maintain positive cash balances. We assess risks periodically and adjust Group plans accordingly.

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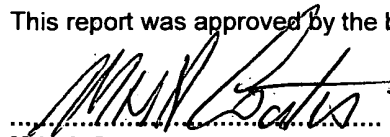
**H.W. COATES (HOLDINGS) LIMITED**

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

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



**M H A Coates**  
Director

Date: 19 APRIL 2018

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## **H.W. COATES (HOLDINGS) LIMITED**

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

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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' and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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; and
- 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 £9,827,312 (2016 - £20,478,356).

The directors have not recommended a dividend.

#### **DIRECTORS**

The directors who served during the year were:

M H A Coates  
G G Coates  
T H Coates  
G W Ball  
R Perry  
M G M Coates  
R L Morris

#### **FUTURE DEVELOPMENTS**

An indication of likely future developments is included within the Group Strategic Report set out on page 1.

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## H.W. COATES (HOLDINGS) LIMITED

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

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#### FINANCIAL INSTRUMENTS

##### Financial risk management objectives and policies

The Group's principal financial instruments comprise of cash, the main purpose of which is to provide finance for its normal trading operations and for future investment. The Group has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations. The main risks arising from the Group's financial instruments are liquidity and credit risks. The Group has clear policies for managing each of these risks, as summarised below.

##### Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying debtor collection targets.

##### Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Group provides goods or services on deferred credit terms. Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant.

#### EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the Group has been continued through internal media methods through which employees' views can be sought on issues which concern them. Throughout the Group there is close consultation between management and other employees on appropriate matters of concern, with a view to keeping employees informed about the progress of the Group's business and the economic factors affecting it.

#### DISABLED EMPLOYEES

The Group gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees where appropriate.

#### 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

Since the year end the Group has purchased 100% of the share capital of Rase Distribution Limited for an initial consideration of £4,727,827. A subsequent payment is due to the previous shareholders upon finalisation of Rase Distribution Limited's financial statements.

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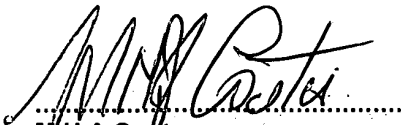
**H.W. COATES (HOLDINGS) LIMITED**

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

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



**M H A Coates**  
Director

Date: 19 April 2018

Ladywood House  
Ladywood Works  
Leicester Road  
Lutterworth  
Leicestershire  
LE17 4HD



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**H.W. COATES (HOLDINGS) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF H.W. COATES (HOLDINGS) LIMITED**

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**OPINION**

We have audited the financial statements of H.W. Coates (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated 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 knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

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**H.W. COATES (HOLDINGS) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF H.W. COATES (HOLDINGS) LIMITED  
(CONTINUED)**

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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 3, 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.

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**H.W. COATES (HOLDINGS) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF H.W. COATES (HOLDINGS) LIMITED  
(CONTINUED)**

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**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](http://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.



Robert Nelson BA FCA (Senior Statutory Auditor)

for and on behalf of  
**MHA MacIntyre Hudson**

Chartered Accountants  
Statutory Auditors

11 Merus Court  
Meridian Business Park  
Leicester  
LE19 1RJ

Date: 25 / 4 / 18

# H.W. COATES (HOLDINGS) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

|   | Note | 2017<br>£         | 2016<br>(Restated)<br>£ |
|---|------|-------------------|-------------------------|
| Turnover  | 3    | 49,824,748        | 48,531,642              |
| Cost of sales   |      | (32,699,969)      | (32,128,748)            |
| <b>GROSS PROFIT</b>   |      | <b>17,124,779</b> | <b>16,402,894</b>       |
| Administrative expenses   |      | (6,749,460)       | (6,002,396)             |
| <b>OPERATING PROFIT</b>   | 4    | <b>10,375,319</b> | <b>10,400,498</b>       |
| Income from participating interests                             |      | 45,861            | 4,491                   |
| Exceptional items   | 12   | -                 | 4,496,192               |
| Fair value movements  |      | 1,916,714         | 8,416,407               |
| Interest receivable   | 8    | 39,232            | 99,298                  |
| Interest payable  | 9    | (24,165)          | (58,391)                |
| Other finance expenses  | 10   | (211,000)         | (177,333)               |
| <b>PROFIT BEFORE TAXATION</b>                                   |      | <b>12,141,961</b> | <b>23,181,162</b>       |
| Tax on profit   | 11   | (2,203,910)       | (2,600,040)             |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                            |      | <b>9,938,051</b>  | <b>20,581,122</b>       |
| Actuarial gains/(losses) on defined benefit pension scheme      |      | 1,610,000         | (3,520,000)             |
| Movement of deferred tax relating to pension surplus            |      | (307,420)         | 704,200                 |
| <b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>        |      | <b>1,302,580</b>  | <b>(2,815,800)</b>      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                  |      | <b>11,240,631</b> | <b>17,765,322</b>       |
| <b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>                     |      |                   |                         |
| Non-controlling interests                                       |      | 110,739           | 102,766                 |
| Owners of the parent Company                                    |      | 9,827,312         | 20,478,356              |
|   |      | <b>9,938,051</b>  | <b>20,581,122</b>       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b> |      |                   |                         |
| Non-controlling interest  |      | 110,739           | 102,766                 |
| Owners of the parent Company                                    |      | 11,129,892        | 17,662,556              |
|   |      | <b>11,240,631</b> | <b>17,765,322</b>       |

The notes on pages 18 to 44 form part of these financial statements.

**H.W. COATES (HOLDINGS) LIMITED**  
**REGISTERED NUMBER:07107882**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

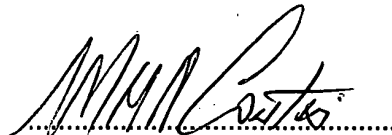
|   | Note | 2017<br>£          | 2016<br>(Restated)<br>£ |
|---|------|--------------------|-------------------------|
| <b>FIXED ASSETS</b>                                     |      |                    |                         |
| Intangible assets                                       | 14   | 2,883,853          | 2,718,060               |
| Tangible assets   | 15   | 36,475,517         | 36,841,396              |
| Investments   | 16   | 70,352             | 24,491                  |
| Investment property                                     | 17   | 62,898,605         | 50,626,416              |
|   |      | <b>102,328,327</b> | <b>90,210,363</b>       |
| <b>CURRENT ASSETS</b>                                   |      |                    |                         |
| Stocks  | 18   | 4,139,770          | 2,403,440               |
| Debtors   | 19   | 10,766,286         | 12,445,548              |
| Bank and cash balances                                  | 20   | 711,517            | 5,354,009               |
|   |      | <b>15,617,573</b>  | <b>20,202,997</b>       |
| Creditors: amounts falling due within one year          | 21   | (10,121,200)       | (10,253,674)            |
| <b>NET CURRENT ASSETS</b>                               |      | <b>5,496,373</b>   | <b>9,949,323</b>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |      | <b>107,824,700</b> | <b>100,159,686</b>      |
| Creditors: amounts falling due after more than one year | 22   |                    | (900,000)               |
| <b>PROVISIONS FOR LIABILITIES</b>                       |      |                    |                         |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b>           |      | <b>107,824,700</b> | <b>99,259,686</b>       |
| Pension liability                                       | 29   | (6,144,000)        | (8,302,177)             |
| <b>NET ASSETS</b>                                       |      | <b>101,680,700</b> | <b>90,957,509</b>       |

H.W. COATES (HOLDINGS) LIMITED  
REGISTERED NUMBER:07107882

CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2017

|  | Note | 2017<br>£          | 2016<br>£         |
|--|------|--------------------|-------------------|
| <b>CAPITAL AND RESERVES</b>                                    |      |                    |                   |
| Called up share capital  | 25   | 100                | 100               |
| Revaluation reserve  | 26   | 17,445,927         | 15,661,751        |
| Merger reserve   | 26   | 13,121,074         | 13,121,074        |
| Profit and loss account  | 26   | 71,027,492         | 62,112,776        |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF<br/>THE PARENT COMPANY</b> |      | <b>101,594,593</b> | <b>90,895,701</b> |
| Non-controlling interests                                      |      | 86,107             | 61,808            |
|  |      | <b>101,680,700</b> | <b>90,957,509</b> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
M H A Coates  
Director

Date: 19 APRIL 2018

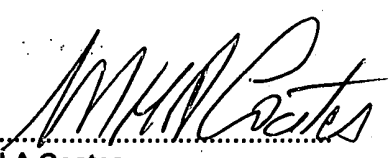
The notes on pages 18 to 44 form part of these financial statements.

**H.W. COATES (HOLDINGS) LIMITED**  
**REGISTERED NUMBER:07107882**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

|  | Note | 2017<br>£    | 2016<br>£    |
|--|------|--------------|--------------|
| <b>FIXED ASSETS</b>                          |      |              |              |
| Investments                                  | 16   | <u>1</u>     | <u>1</u>     |
|  |      | 1            | 1            |
| <b>CURRENT ASSETS</b>                        |      |              |              |
| Debtors                                      | 19   | <u>5,099</u> | <u>5,099</u> |
|  |      | 5,099        | 5,099        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      | <u>5,100</u> | <u>5,100</u> |
| <b>NET ASSETS</b>                            |      | <u>5,100</u> | <u>5,100</u> |
| <b>CAPITAL AND RESERVES</b>                  |      |              |              |
| Called up share capital                      | 25   | 100          | 100          |
| Profit and loss account                      | 26   | <u>5,000</u> | <u>5,000</u> |
|  |      | <u>5,100</u> | <u>5,100</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
M H A Coates  
Director

Date: 19 April 2018

The notes on pages 18 to 44 form part of these financial statements.

H.W. COATES (HOLDINGS) LIMITED

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

|   | Share<br>capital | Revaluation<br>reserve | Merger<br>reserve | Retained<br>earnings | Equity<br>attributable<br>to owners of<br>parent<br>Company | Non-<br>controlling<br>interests | Total equity       |
|---|------------------|------------------------|-------------------|----------------------|---|----------------------------------|--------------------|
|   | £                | £                      | £                 | £                    | £   | £                                | £                  |
| At 1 January 2017                                   | 100              | 15,661,751             | 13,121,074        | 62,112,776           | 90,895,701  | 61,808                           | 90,957,509         |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>            |                  |                        |                   |                      |   |                                  |                    |
| Profit for the year                                 | -                | -                      | -                 | 9,827,312            | 9,827,312   | 110,739                          | 9,938,051          |
| Actuarial gains on pension scheme                   | -                | -                      | -                 | 1,302,580            | 1,302,580   | -                                | 1,302,580          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>      | -                | -                      | -                 | 11,129,892           | 11,129,892  | 110,739                          | 11,240,631         |
| <b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b> |                  |                        |                   |                      |   |                                  |                    |
| Transfer from profit and loss account               | -                | 1,784,176              | -                 | (1,784,176)          | -   | -                                | -                  |
| Dividends to non-controlling interests              | -                | -                      | -                 | -                    | -   | (95,722)                         | (95,722)           |
| Increase in controlling interest of subsidiaries    | -                | -                      | -                 | (431,000)            | (431,000)   | 9,282                            | (421,718)          |
| <b>TOTAL TRANSACTIONS WITH OWNERS</b>               | -                | 1,784,176              | -                 | (2,215,176)          | (431,000)   | (86,440)                         | (517,440)          |
| <b>At 31 December 2017</b>                          | <b>100</b>       | <b>17,445,927</b>      | <b>13,121,074</b> | <b>71,027,492</b>    | <b>101,594,593</b>  | <b>86,107</b>                    | <b>101,680,700</b> |

The notes on pages 18 to 44 form part of these financial statements.



H.W. COATES (HOLDINGS) LIMITED

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

|   | Share<br>capital | Revaluation<br>reserve | Merger<br>reserve | Retained<br>earnings | Equity<br>attributable<br>to owners of<br>parent<br>Company | Non-<br>controlling<br>interests | Total equity      |
|---|------------------|------------------------|-------------------|----------------------|---|----------------------------------|-------------------|
|   | £                | £                      | £                 | £                    | £   | £                                | £                 |
| At 1 January 2016 (as previously stated)            | 100              | 12,088,886             | 13,121,074        | 50,565,135           | 75,775,195  | 35,942                           | 75,811,137        |
| Prior year adjustment                               | -                | (2,542,050)            | -                 | -                    | (2,542,050)   | -                                | (2,542,050)       |
| At 1 January 2016 (as restated)                     | 100              | 9,546,836              | 13,121,074        | 50,565,135           | 73,233,145  | 35,942                           | 73,269,087        |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>            |                  |                        |                   |                      |   |                                  |                   |
| Profit for the year                                 | -                | -                      | -                 | 20,478,356           | 20,478,356  | 102,766                          | 20,581,122        |
| Actuarial losses on pension scheme                  | -                | -                      | -                 | (2,815,800)          | (2,815,800)   | -                                | (2,815,800)       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>      | -                | -                      | -                 | 17,662,556           | 17,662,556  | 102,766                          | 17,765,322        |
| <b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b> |                  |                        |                   |                      |   |                                  |                   |
| Transfer from profit and loss account               | -                | 6,114,915              | -                 | (6,114,915)          | -   | -                                | -                 |
| Dividends to non-controlling interests              | -                | -                      | -                 | -                    | -   | (76,900)                         | (76,900)          |
| <b>TOTAL TRANSACTIONS WITH OWNERS</b>               | -                | 6,114,915              | -                 | (6,114,915)          | -   | (76,900)                         | (76,900)          |
| <b>At 31 December 2016</b>                          | <b>100</b>       | <b>15,661,751</b>      | <b>13,121,074</b> | <b>62,112,776</b>    | <b>90,895,701</b>   | <b>61,808</b>                    | <b>90,957,509</b> |

The notes on pages 18 to 44 form part of these financial statements.

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**H.W. COATES (HOLDINGS) LIMITED**

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

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|  | Share<br>capital<br>£ | Profit and<br>loss account<br>£ | Total equity<br>£ |
|--|-----------------------|---------------------------------|-------------------|
| At 1 January 2017                              | 100                   | 5,000                           | 5,100             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> | -                     | -                               | -                 |
| <b>TOTAL TRANSACTIONS WITH OWNERS</b>          | -                     | -                               | -                 |
| At 31 December 2017                            | 100                   | 5,000                           | 5,100             |

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

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|  | Share<br>capital<br>£ | Profit and<br>loss account<br>£ | Total equity<br>£ |
|--|-----------------------|---------------------------------|-------------------|
| At 1 January 2016                              | 100                   | 5,000                           | 5,100             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> | -                     | -                               | -                 |
| <b>TOTAL TRANSACTIONS WITH OWNERS</b>          | -                     | -                               | -                 |
| At 31 December 2016                            | 100                   | 5,000                           | 5,100             |

The notes on pages 18 to 44 form part of these financial statements.

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**H.W. COATES (HOLDINGS) LIMITED**

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

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|   | 2017<br>£           | 2016<br>(Restated)<br>£ |
|---|---------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |                     |                         |
| Profit for the financial year                       | 9,938,051           | 20,581,122              |
| <b>ADJUSTMENTS FOR:</b>                             |                     |                         |
| Amortisation of intangible assets                   | 444,207             | 383,206                 |
| Depreciation of tangible assets                     | 2,220,606           | 2,129,982               |
| Impairments of fixed assets                         | -                   | (4,496,192)             |
| Profit on disposal of tangible assets               | (331,383)           | (829,254)               |
| Interest paid                                       | 24,165              | 58,391                  |
| Interest received                                   | (39,232)            | (99,298)                |
| Taxation charge                                     | 2,203,910           | 2,600,040               |
| Increase in stocks                                  | (1,394,330)         | (1,200,124)             |
| Decrease/(increase) in debtors                      | 1,098,613           | (478,509)               |
| Increase/(decrease) in creditors                    | 743,188             | (924,428)               |
| Decrease in net pension liabilities                 | (520,000)           | (1,614,000)             |
| Net fair value gains recognised in Profit and Loss  | (1,916,714)         | (8,416,407)             |
| Share of operating profit in associates             | (45,861)            | (4,491)                 |
| Corporation tax paid                                | (2,309,242)         | (2,058,448)             |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b> | <b>10,115,978</b>   | <b>5,631,590</b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |                     |                         |
| Purchase of intangible fixed assets                 | (610,000)           | -                       |
| Purchase of tangible fixed assets                   | (3,544,352)         | (4,783,086)             |
| Sale of tangible fixed assets                       | 804,674             | 342,651                 |
| Purchase of investment properties                   | (10,419,160)        | -                       |
| Sale of investment properties                       | 529,506             | 3,255,107               |
| Purchase of shares in subsidiaries/associates       | (431,000)           | (9,378,218)             |
| Interest received                                   | 39,232              | 99,298                  |
| Income from investments in related companies        | -                   | 4,491                   |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>           | <b>(13,631,100)</b> | <b>(10,459,757)</b>     |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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|   | 2017<br>£          | 2016<br>£          |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                    |                    |
| Loans repaid to directors                                     | (1,007,483)        | (2,373,637)        |
| Interest paid   | (24,165)           | (58,391)           |
| Dividends paid to non controlling interests                   | (95,722)           | (76,895)           |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                  | <b>(1,127,370)</b> | <b>(2,508,923)</b> |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>                  | <b>(4,642,492)</b> | <b>(7,337,090)</b> |
| Cash and cash equivalents at beginning of year                | 5,354,009          | 12,691,099         |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>           | <b>711,517</b>     | <b>5,354,009</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b> |                    |                    |
| Cash at bank and in hand                                      | 711,517            | 5,354,009          |
|   | <b>711,517</b>     | <b>5,354,009</b>   |

The notes on pages 18 to 44 form part of these financial statements.

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## **H.W. COATES (HOLDINGS) LIMITED**

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

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#### **1. ACCOUNTING POLICIES**

##### **1.1 COMPANY INFORMATION**

The entity is a private company limited by shares, which is incorporated in England and Wales. The registered office is Ladywood House, Ladywood Works, Leicester Road, Lutterworth, Leicestershire, LE17 4HD.

##### **1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention as modified by the recognition of investment properties at fair value and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the Group's accounting policies (see note 2).

The following principal accounting policies have been applied:

##### **1.3 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 Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

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## H.W. COATES (HOLDINGS) LIMITED

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

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.4 ASSOCIATES

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in 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 Profit and Loss Account 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.

##### 1.5 REVENUE

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

###### Sale of goods

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

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

###### Rendering of services

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

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

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

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**1. ACCOUNTING POLICIES (continued)**

**1.6 OPERATING LEASE: LESSEE**

Rentals paid under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

**1.7 OPERATING LEASE: LESSOR**

Rentals received under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

**1.8 INTEREST INCOME**

Interest income is recognised in the Consolidated Profit and Loss Account using the effective interest method.

**1.9 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, 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.

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**1. ACCOUNTING POLICIES (continued)****1.10 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 Profit and Loss Account over its useful economic life.

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

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

Amortisation is provided on the following bases:

|          |                               |
|----------|-------------------------------|
| Goodwill | - 10% straight line per annum |
|----------|-------------------------------|

**1.11 TANGIBLE FIXED ASSETS**

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets 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 bases:

|                            |                                       |
|----------------------------|---------------------------------------|
| Freehold property          | - 1% straight line per annum          |
| Long leasehold property    | - Over the life of the lease          |
| Plant and equipment        | - 10% straight line per annum         |
| Motor vehicles             | - 10% - 25% straight line per annum   |
| Depot and office equipment | - 10% - 25% straight line per annum   |
| Forklift trucks            | - 14.3% - 20% straight line per annum |

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 Profit and Loss Account.



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

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**1. ACCOUNTING POLICIES (continued)**

**1.12 VALUATION OF INVESTMENTS**

Investments in subsidiaries are measured at cost less accumulated impairment.

**1.13 INVESTMENT PROPERTY**

Investment property is carried at fair value determined annually by the directors and derived using an average price per square foot on an existing use basis applied to the square footage areas of properties. These are adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Profit and Loss Account.

**1.14 STOCKS**

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

At each 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.

**1.15 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.

**1.16 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice. 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.

**1.17 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.

**1.18 FINANCIAL INSTRUMENTS**

The Group only enters into basic financial instrument 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.

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

---

**1. ACCOUNTING POLICIES (continued)**

**1.18 FINANCIAL INSTRUMENTS (CONTINUED)**

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 Profit and Loss Account.

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.

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

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**1. ACCOUNTING POLICIES (continued)**

**1.19 PENSIONS**

**DEFINED CONTRIBUTION PENSION PLANS**

The Group operates defined contribution plans 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 Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plans are held separately from the Group in independently administered funds.

**DEFINED BENEFIT PENSION PLANS**

The Group operates three defined benefit plans for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

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

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**1. ACCOUNTING POLICIES (continued)**

**1.20 DIVIDENDS**

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

**2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Useful economic lives of intangible fixed assets**

The directors consider that the useful economic life of the goodwill included within these financial statements cannot be reliably measured. As a result, the directors have adopted the maximum useful economic life allowed under FRS 102.

**(ii) Useful economic lives of tangible fixed assets**

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the tangible fixed assets, and note 1.11 for the useful economic lives for each class of assets.

**(iii) Fair value of investment property**

The fair value of the investment properties is sensitive to changes in the current market. The fair value adjustments have no effect on tax charges, dividends proposed or directors' remuneration and are therefore purely an accounting exercise to comply with FRS 102. In the opinion of the directors, fair value can be measured reliably by the directors.

**(iv) Defined benefit pension schemes valuation**

The valuation for the Group's three Defined Benefit Pension Schemes is recognised in the Balance Sheet as a liability. This is the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets. This is sensitive to change in the assumptions made by the actuaries who have been appointed to value the schemes. See note 29 for the assumptions made for the pension commitments, and note 1.19 for the pension accounting policies.

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**3. TURNOVER**

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

|                                  | 2017<br>£         | 2016<br>£         |
|----------------------------------|-------------------|-------------------|
| Sale of goods                    | 2,598,744         | 2,601,536         |
| Transport and warehouse services | 38,990,403        | 39,493,250        |
| Rent                             | 7,353,403         | 5,891,978         |
| Other                            | 882,198           | 544,878           |
|                                  | <u>49,824,748</u> | <u>48,531,642</u> |

All turnover arose within the United Kingdom.

**4. OPERATING PROFIT**

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

|                                       | 2017<br>£      | 2016<br>£      |
|---------------------------------------|----------------|----------------|
| Depreciation of tangible fixed assets | 2,220,606      | 2,129,982      |
| Profit on disposal of fixed assets    | (331,383)      | (829,254)      |
| Amortisation of goodwill              | 444,207        | 383,206        |
| Operating lease rentals               | <u>564,372</u> | <u>709,160</u> |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**5. AUDITORS' REMUNERATION**

|   | 2017<br>£     | 2016<br>£     |
|---|---------------|---------------|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts | 6,750         | 6,500         |
|   | <u>6,750</u>  | <u>6,500</u>  |
| <b>FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:</b>                        |               |               |
| The auditing of accounts of subsidiaries  | 16,500        | 15,350        |
| Taxation compliance services  | 5,600         | 5,900         |
| All other non-audit services not included above   | 15,950        | 17,900        |
|   | <u>38,050</u> | <u>39,150</u> |

Fees payable to the Group's auditor and its associates in connection with the Company's pension scheme(s) in respect of:

|   | 2017<br>£    | 2016<br>£    |
|---|--------------|--------------|
| The auditing of accounts of the schemes | 9,375        | 9,150        |
|   | <u>9,375</u> | <u>9,150</u> |

**6. EMPLOYEES**

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

|  | 2017<br>£         | 2016<br>£         |
|--|-------------------|-------------------|
| Wages and salaries                                   | 9,056,721         | 9,153,602         |
| Social security costs                                | 922,492           | 887,474           |
| Pension costs  | 222,596           | 110,920           |
| Defined benefit pension scheme current service costs | 301,000           | 321,000           |
|  | <u>10,502,809</u> | <u>10,472,996</u> |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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

|                           | 2017<br>No. | 2016<br>No. |
|---------------------------|-------------|-------------|
| Drivers and warehouse     | 214         | 232         |
| Managers and office staff | 95          | 99          |
| Working directors         | 7           | 7           |
| <b>TOTAL</b>              | <b>316</b>  | <b>338</b>  |

**7. DIRECTORS' REMUNERATION**

|   | 2017<br>£        | 2016<br>£      |
|---|------------------|----------------|
| Directors' emoluments   | 967,727          | 869,735        |
| Company contributions to defined contribution pension schemes | 65,371           | 55,505         |
|   | <b>1,033,098</b> | <b>925,240</b> |

During the year retirement benefits were accruing to 4 directors (2016 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £403,864 (2016 - £371,784).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £37,231 (2016 - £35,363).

**8. INTEREST RECEIVABLE**

|                     | 2017<br>£     | 2016<br>£     |
|---------------------|---------------|---------------|
| Interest receivable | 39,232        | 99,298        |
|                     | <b>39,232</b> | <b>99,298</b> |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**9. INTEREST PAYABLE**

|                             | 2017<br>£     | 2016<br>£     |
|-----------------------------|---------------|---------------|
| Other interest payable      | 1,890         | 18,936        |
| Other loan interest payable | 22,275        | 39,455        |
|                             | <u>24,165</u> | <u>58,391</u> |

**10. OTHER FINANCE EXPENSE**

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| Net interest on defined benefit pension schemes | 211,000        | 177,333        |
|   | <u>211,000</u> | <u>177,333</u> |

**11. TAXATION**

|  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| <b>CORPORATION TAX</b>                           |                  |                  |
| Current tax on profits for the year              | 1,951,989        | 2,201,350        |
| Adjustments in respect of previous periods       | (21,308)         | (54,377)         |
| <b>TOTAL CURRENT TAX</b>                         | <u>1,930,681</u> | <u>2,146,973</u> |
| <b>DEFERRED TAX</b>                              |                  |                  |
| Origination and reversal of timing differences   | (59,371)         | (103,333)        |
| Defined benefit pension scheme                   | 332,600          | 556,400          |
| <b>TOTAL DEFERRED TAX</b>                        | <u>273,229</u>   | <u>453,067</u>   |
| <b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b> | <u>2,203,910</u> | <u>2,600,040</u> |



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**H.W. COATES (HOLDINGS) LIMITED**

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

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**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%). The differences are explained below:

|   | 2017<br>£         | 2016<br>£         |
|---|-------------------|-------------------|
| Profit on ordinary activities before tax  | <u>12,141,961</u> | <u>23,181,162</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%) | 2,337,327         | 4,636,232         |
| <b>EFFECTS OF:</b>  |                   |                   |
| Non-tax deductible amortisation of goodwill   | 85,510            | 76,641            |
| Expenses not deductible for tax purposes  | 34,402            | (110,807)         |
| Fair value adjustments not deductible for tax purposes  | (368,967)         | (2,454,147)       |
| Capital allowances for year in excess of depreciation   | 53,274            | 74,155            |
| Adjustments to tax charge in respect of prior periods   | (21,308)          | (54,378)          |
| Capital gains   | 16,299            | 308,036           |
| Other differences leading to an increase in the tax charge  | 67,373            | 124,308           |
| <b>TOTAL TAX CHARGE FOR THE YEAR</b>  | <u>2,203,910</u>  | <u>2,600,040</u>  |

From 1 April 2017, the main rate of corporation tax in the UK decreased to 19%.

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There are no factors that are expected to have a significant affect on future tax charges.

**12. EXCEPTIONAL ITEMS**

|   | 2017<br>£ | 2016<br>£        |
|---|-----------|------------------|
| Negative goodwill written off to Consolidated Profit and Loss Account | -         | 4,496,192        |
|   | <u>-</u>  | <u>4,496,192</u> |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**13. PARENT COMPANY PROFIT FOR THE YEAR**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the parent company for the year was £Nil (2016 - £Nil).

**14. INTANGIBLE ASSETS****Group**

|                       | <b>Goodwill<br/>£</b> |
|-----------------------|-----------------------|
| <b>COST</b>           |                       |
| At 1 January 2017     | <b>4,214,800</b>      |
| Additions             | <b>610,000</b>        |
| At 31 December 2017   | <b>4,824,800</b>      |
| <b>AMORTISATION</b>   |                       |
| At 1 January 2017     | <b>1,496,740</b>      |
| Charge for the year   | <b>444,207</b>        |
| At 31 December 2017   | <b>1,940,947</b>      |
| <b>NET BOOK VALUE</b> |                       |
| At 31 December 2017   | <b>2,883,853</b>      |
| At 31 December 2016   | <b>2,718,060</b>      |

On 1 July 2017 the Group purchased a division of 1st Self Access Storage Limited for £660,000. The total value of assets acquired was £50,000 and £610,000 of goodwill was recognised.

H.W. COATES (HOLDINGS) LIMITED

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

15. TANGIBLE FIXED ASSETS

Group

|                           | Freehold<br>property<br>£ | Long<br>leasehold<br>property<br>£ | Plant and<br>equipment<br>£ | Motor<br>vehicles<br>£ | Depot and<br>office<br>equipment<br>£ | Forklift<br>trucks<br>£ | Total<br>£  |
|---------------------------|---------------------------|------------------------------------|-----------------------------|------------------------|---------------------------------------|-------------------------|-------------|
| <b>COST OR VALUATION</b>  |                           |                                    |                             |                        |                                       |                         |             |
| At 1 January 2017         | 29,759,316                | 2,865,555                          | 4,893,560                   | 8,105,656              | 195,463                               | 2,534,974               | 48,354,524  |
| Additions                 | 503,897                   |                                    | 245,209                     | 2,585,666              | 26,889                                | 182,691                 | 3,544,352   |
| Disposals                 | -                         | (6,976)                            | (603,342)                   | (2,876,520)            | (47,182)                              | (121,893)               | (3,655,913) |
| Transfers between classes | (1,250,165)               | (150,948)                          | 593,023                     | 28,086                 | 85,463                                | 17,052                  | (677,489)   |
| At 31 December 2017       | 29,013,048                | 2,707,631                          | 5,128,450                   | 7,842,888              | 260,633                               | 2,612,824               | 47,565,474  |
| <b>DEPRECIATION</b>       |                           |                                    |                             |                        |                                       |                         |             |
| At 1 January 2017         | 3,434,670                 | 516,945                            | 1,695,037                   | 4,567,202              | (11,216)                              | 1,310,490               | 11,513,128  |
| Charge for the year       | 278,467                   | 27,539                             | 554,266                     | 996,141                | 51,590                                | 312,603                 | 2,220,606   |
| Disposals                 | -                         | (5,071)                            | (533,524)                   | (2,304,162)            | (44,863)                              | (121,893)               | (3,009,513) |
| Transfers between classes | (202,419)                 | (154,073)                          | 572,779                     | 28,088                 | 111,458                               | 9,903                   | 365,736     |
| At 31 December 2017       | 3,510,718                 | 385,340                            | 2,288,558                   | 3,287,269              | 106,969                               | 1,511,103               | 11,089,957  |
| <b>NET BOOK VALUE</b>     |                           |                                    |                             |                        |                                       |                         |             |
| At 31 December 2017       | 25,502,330                | 2,322,291                          | 2,839,892                   | 4,555,619              | 153,664                               | 1,101,721               | 36,475,517  |
| At 31 December 2016       | 26,324,646                | 2,348,610                          | 3,198,523                   | 3,538,454              | 206,679                               | 1,224,484               | 36,841,396  |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**15. TANGIBLE FIXED ASSETS (CONTINUED)**

Land with a value of £5,194,298 (2016 - £5,224,329) is included in freehold property and is not depreciated.

**16. FIXED ASSET INVESTMENTS****Group**

|                           | Investments<br>in<br>associates<br>£ |
|---------------------------|--------------------------------------|
| <b>COST OR VALUATION</b>  |                                      |
| At 1 January 2017         | 24,491                               |
| Share of profit           | 45,861                               |
| At 31 December 2017       | <u>70,352</u>                        |
| <br><b>NET BOOK VALUE</b> |                                      |
| At 31 December 2017       | <u><u>70,352</u></u>                 |
| At 31 December 2016       | <u><u>24,491</u></u>                 |

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

| Name                                 | Class of<br>shares | Holding | Principal activity   |
|--------------------------------------|--------------------|---------|--|
| H.W. Coates Limited                  | Ordinary           | 100 %   | Warehousing and distribution<br>Pallet network specialising in chemical<br>goods |
| The Hazchem Network Limited          | Ordinary           | 84.05 % |  |
| C&V Data Management Services Limited | Ordinary           | 100 %   | Document storage facilities  |
| L & R Storage Limited                | Ordinary           | 100 %   | Document storage facilities  |
| Bond Estates Holdings Limited        | Ordinary           | 100 %   | Holding company<br>Property investment, development and<br>management            |
| Bond Estates Limited                 | Ordinary           | 100 %   |  |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**16. FIXED ASSET INVESTMENTS (CONTINUED)**

| <b>Name</b>                          | <b>Registered office</b>   |
|--------------------------------------|--|
| H.W. Coates Limited                  | Ladywood House, Ladywood Works, Leicester Road,<br>Lutterworth, Leicestershire, LE17 4HD |
| The Hazchem Network Limited          | 18 Gladiator Way, Glebe Farm Industrial Estate, Rugby,<br>CV21 1RX                       |
| L & R Storage Limited                | Ladywood House, Ladywood Works, Leicester Road,<br>Lutterworth, Leicestershire, LE17 4HD |
| C&V Data Management Services Limited | Ladywood House, Ladywood Works, Leicester Road,<br>Lutterworth, Leicestershire, LE17 4HD |
| Bond Estates Holdings Limited        | Ladywood House, Ladywood Works, Leicester Road,<br>Lutterworth, Leicestershire, LE17 4HD |
| Bond Estates Limited                 | Ladywood House, Ladywood Works, Leicester Road,<br>Lutterworth, Leicestershire, LE17 4HD |

**PARTICIPATING INTERESTS**

The following were associated undertakings of the Company:

**ASSOCIATES**

| <b>Name</b>                        | <b>Registered office</b>   | <b>Class of shares</b> | <b>Holding</b> | <b>Principal activity</b>     |
|------------------------------------|--|------------------------|----------------|-------------------------------|
| Archive File Management UK Limited | Ladywood House,<br>Ladywood Works,<br>Leicester Road,<br>Lutterworth,<br>Leicestershire,<br>LE17 4HD | Ordinary               | 50%            | Digital archiving<br>services |

**Company**

**Investments  
in  
subsidiary  
companies  
£**

**COST AND NET BOOK VALUE**

|                     |          |
|---------------------|----------|
| At 1 January 2017   | <b>1</b> |
| At 31 December 2017 | <b>1</b> |

All the group companies prepared their accounts to 31 December in the current year and have been included in the consolidation. The Hazchem Network Limited No. 04970333, L & R Storage Limited No. 04350013, C&V Data Management Services Limited No. 04119487, Bond Estates Holdings Limited No. 00465893 and Bond Estates Limited No. 01591981 have taken exemption from audit under S479A of the Companies Act 2006. In accordance with this subsection, H.W. Coates (Holdings) Limited has given a guarantee as set out in S479C over the liabilities of all these companies.

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**16. FIXED ASSET INVESTMENTS (CONTINUED)****17. INVESTMENT PROPERTY****GROUP**

|  | <b>Freehold<br/>investment<br/>property<br/>£</b> |
|--|---|
| <b>VALUATION</b>                                       |   |
| At 1 January 2017                                      | <b>53,978,964</b>                                 |
| Prior year adjustment                                  | <b>(3,352,548)</b>                                |
| <b>At 1 January 2017 (as restated)</b>                 | <b>50,626,416</b>                                 |
| Additions  | <b>10,419,160</b>                                 |
| Disposals  | <b>(356,397)</b>                                  |
| Surplus on revaluation                                 | <b>1,507,332</b>                                  |
| Transfers from tangible fixed assets                   | <b>1,044,094</b>                                  |
| Transfers to residential properties under construction | <b>(342,000)</b>                                  |
| <b>AT 31 DECEMBER 2017</b>                             | <b>62,898,605</b>                                 |

Freehold investment properties were revalued to fair value as at 31 December 2017. The valuation was completed by the directors using an average price per square foot on an existing use basis applied to the square footage areas of investment properties as well as CPI data.

Investment properties included at a total valuation of £2,320,000 are pledged as security against the Bond Estates Holdings Limited Pension Fund, a pension scheme for which the Group is the principal employer.

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

|               | <b>2017<br/>£</b> | <b>2016<br/>£</b> |
|---------------|-------------------|-------------------|
| Historic cost | <b>45,471,195</b> | <b>34,983,180</b> |
|               | <b>45,471,195</b> | <b>34,983,180</b> |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**18. STOCKS**

|   | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Finished goods and diesel                 | 582,836                     | 632,494                     | -                             | -                             |
| Residential properties under construction | 3,556,934                   | 1,770,946                   | -                             | -                             |
|   | <u>4,139,770</u>            | <u>2,403,440</u>            | <u>-</u>                      | <u>-</u>                      |

Stock recognised in cost of sales during the year as an expense was £4,078,414 (2016 - £3,999,483).

**19. DEBTORS**

|   | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors                           | 8,793,586                   | 9,912,227                   | -                             | -                             |
| Amounts owed by group undertakings      | -                           | -                           | 5,000                         | 5,000                         |
| Amounts owed by associated undertakings | 2,391                       | -                           | -                             | -                             |
| Other debtors                           | 119,776                     | 112,289                     | 99                            | 99                            |
| Prepayments and accrued income          | 1,092,142                   | 1,081,992                   | -                             | -                             |
| Deferred taxation                       | 758,391                     | 1,339,040                   | -                             | -                             |
|   | <u>10,766,286</u>           | <u>12,445,548</u>           | <u>5,099</u>                  | <u>5,099</u>                  |

**20. CASH AND CASH EQUIVALENTS**

|                          | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cash at bank and in hand | 711,517                     | 5,354,009                   | -                             | -                             |
|                          | <u>711,517</u>              | <u>5,354,009</u>            | <u>-</u>                      | <u>-</u>                      |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                              | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade creditors              | <b>1,985,389</b>            | 1,966,238                   | -                             | -                             |
| Corporation tax              | <b>937,085</b>              | 1,315,063                   | -                             | -                             |
| Taxation and social security | <b>1,058,022</b>            | 1,042,408                   | -                             | -                             |
| Other creditors              | <b>3,485,271</b>            | 3,492,925                   | -                             | -                             |
| Accruals and deferred income | <b>2,655,433</b>            | 2,437,040                   | -                             | -                             |
|                              | <b>10,121,200</b>           | 10,253,674                  | -                             | -                             |

**22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|             | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|-------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Other loans | -                           | 900,000                     | -                             | -                             |
|             | -                           | 900,000                     | -                             | -                             |

Included within creditors falling due after more than one year is an amount of £Nil (2016 - £900,000) in respect of liabilities which fall due for payment after more than five years from the balance sheet date. No interest is charged on this loan.



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**H.W. COATES (HOLDINGS) LIMITED**

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

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**23. FINANCIAL INSTRUMENTS**

|  | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>FINANCIAL ASSETS</b>  |                             |                             |                               |                               |
| Financial assets that are debt instruments<br>measured at amortised cost | <b>8,915,753</b>            | 10,030,255                  | <b>5,099</b>                  | 5,099                         |
|  | <b>8,915,753</b>            | 10,030,255                  | <b>5,099</b>                  | 5,099                         |
| <br>   |                             |                             |                               |                               |
|  | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
| <b>FINANCIAL LIABILITIES</b>   |                             |                             |                               |                               |
| Financial liabilities measured at amortised<br>cost                      | <b>6,172,191</b>            | 7,015,654                   | -                             | -                             |
|  | <b>6,172,191</b>            | 7,015,654                   | -                             | -                             |

Group financial assets measured at amortised cost comprise trade debtors of £8,793,586 (2016 - £9,912,227), amounts owed by associated undertakings of £2,391 (2016 - £Nil), accrued income of £Nil (2016 - £5,739) and other debtors £119,776 (2016 - £112,289). Company financial assets measured at amortised cost comprise amounts owed by group of £5,000 (2016 - £5,000) and other debtors of £99 (2016 - £99).

Group financial liabilities measured at amortised cost comprise trade creditors of £1,985,389 (2016 - £1,966,238), other creditors of £3,485,271 (2016 - £3,492,925), accruals of £701,531 (2016 - £656,491) and other loans of £Nil (2016 - £900,000).

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**24. DEFERRED TAXATION****Group**

|   | 2017<br>£      | 2016<br>£        |
|---|----------------|------------------|
| At beginning of year                                | 1,339,040      | 809,993          |
| Charged to the Consolidated Profit and Loss Account | (273,229)      | (454,263)        |
| (Charged)/credited to Other Comprehensive Income    | (307,420)      | 704,200          |
| Asset on acquisition                                | -              | 279,110          |
| <b>AT END OF YEAR</b>                               | <b>758,391</b> | <b>1,339,040</b> |

The net reversal of the deferred tax asset expected to occur in the year to 31 December 2018 is £200,000. The deferred tax liability on accelerated capital allowances is expected to increase, largely due to the availability of Annual Investment Allowance in the UK. Other short term timing differences are expected to remain at a similar level to the current year. The deferred tax asset on defined benefit pensions is expected to reverse at a similar rate to that of this year as the company continues to reduce the pension liability.

The deferred tax asset is made up as follows:

|                                     | Group<br>2017<br>£ | Group<br>2016<br>£ |
|-------------------------------------|--------------------|--------------------|
| Accelerated capital allowances      | (409,299)          | (323,625)          |
| Pension provision                   | 1,167,360          | 1,661,400          |
| Other short term timing differences | 330                | 1,265              |
|                                     | <b>758,391</b>     | <b>1,339,040</b>   |

**25. SHARE CAPITAL**

|   | 2017<br>£  | 2016<br>£  |
|---|------------|------------|
| <b>ALLOTTED, CALLED UP AND FULLY PAID</b>   |            |            |
| 10,000,000 Ordinary shares of £0.00001 each | <b>100</b> | <b>100</b> |

Each ordinary share has equal voting and distribution rights, including repayment of capital in the event of winding up.

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**26. RESERVES****Revaluation reserve**

Includes all current and prior period revaluations of investment properties to fair value. Revaluations are recognised in profit or loss in the year they occur and are then transferred from the Profit and Loss Account to the Revaluation Reserve. Any amounts debited or credited to the revaluation reserve are not allowable as an expense or income for tax purposes. All amounts are non-distributable.

**Merger Reserve**

Includes all balances arising on previous business combinations which were accounted for using merger accounting. All amounts are non-distributable.

**Profit and loss account**

Includes all current and prior period retained profits and losses. All amounts are distributable.

**27. PRIOR YEAR ADJUSTMENT**

A prior year adjustment has been made to remove the revaluation of certain properties which were not previously eliminated on consolidation.

**28. CAPITAL COMMITMENTS**

At 31 December 2017 the Group and Company had capital commitments as follows:

|   | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Contracted for but not provided in these financial statements | <b>1,952,442</b>            | 3,269,243                   | -                             | -                             |
|   | <b>1,952,442</b>            | 3,269,243                   | -                             | -                             |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**29. PENSION COMMITMENTS (CONTINUED)**

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £7,812,000 (2016 - £9,422,000).

The Group expects to contribute £859,000 to its three defined benefit pension schemes in 2018.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

|   | 2017<br>% | 2016<br>% |
|---|-----------|-----------|
| Discount rate   | 2.4       | 2.6       |
| Consumer price inflation  | 2.6       | 2.6       |
| Future pension increases for pensions in payment                              | 2.0       | 2.7       |
| Future pension increases for deferred pensions                                | 2.5       | 2.6       |
| Assuming retirement at age 65, the life expectancies in years are as follows: |           |           |
| For a male aged 65 now  | 21.4      | 21.2      |
| At 65 for a male member aged 45 now   | 22.8      | 22.7      |
| For a female aged 65 now  | 23.4      | 23.3      |
| At 65 for a female member aged 45 now   | 25.1      | 25.0      |

# H.W. COATES (HOLDINGS) LIMITED

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

### 26. RESERVES

#### Revaluation reserve

Includes all current and prior period revaluations of investment properties to fair value. Revaluations are recognised in profit or loss in the year they occur and are then transferred from the Profit and Loss Account to the Revaluation Reserve. Any amounts debited or credited to the revaluation reserve are not allowable as an expense or income for tax purposes. All amounts are non-distributable.

#### Merger Reserve

Includes all balances arising on previous business combinations which were accounted for using merger accounting. All amounts are non-distributable.

#### Profit and loss account

Includes all current and prior period retained profits and losses. All amounts are distributable.

| 2017<br>£         | 2016<br>£         |
|-------------------|-------------------|
| 34,117,000        | 19,344,000        |
| 894,000           | 1,200,000         |
| 2,154,000         | 3,818,000         |
| 1,060,000         | 1,946,000         |
| (1,327,000)       | (1,496,000)       |
| -                 | 9,305,000         |
| <b>36,898,000</b> | <b>34,117,000</b> |

### 27. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been made to remove the revaluation of certain properties which were not previously eliminated on consolidation.

| 2017<br>£         | 2016<br>£         |
|-------------------|-------------------|
| 27,474,000        | 23,882,000        |
| 6,240,000         | 6,482,000         |
| 3,184,000         | 3,753,000         |
| <b>36,898,000</b> | <b>34,117,000</b> |

### 28. CAPITAL COMMITMENTS

At 31 December 2017 the Group and Company had capital commitments as follows:

|   | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|---|--------------------|--------------------|----------------------|----------------------|
| Contracted for but not provided in these financial statements | 1,952,442          | 3,269,243          | -                    | -                    |
|   | <b>1,952,442</b>   | <b>3,269,243</b>   | <b>-</b>             | <b>-</b>             |

| 2017<br>£          | 2016<br>£          |
|--------------------|--------------------|
| 36,898,000         | 34,117,000         |
| (43,042,000)       | (42,419,177)       |
| <b>(6,144,000)</b> | <b>(8,302,177)</b> |

| 2017<br>£        | 2016<br>£        |
|------------------|------------------|
| 301,000          | 321,000          |
| 211,000          | 177,333          |
| <b>512,000</b>   | <b>498,333</b>   |
| <b>3,048,000</b> | <b>5,018,000</b> |
| <b>3,048,000</b> | <b>5,018,000</b> |

## H.W. COATES (HOLDINGS) LIMITED

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

#### 29. PENSION COMMITMENTS (CONTINUED)

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £7,812,000 (2016 - £9,422,000).

The Group expects to contribute £859,000 to its three defined benefit pension schemes in 2018.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

|   | 2017<br>% | 2016<br>% |
|---|-----------|-----------|
| Discount rate   | 2.4       | 2.6       |
| Consumer price inflation  | 2.6       | 2.6       |
| Future pension increases for pensions in payment                              | 2.0       | 2.7       |
| Future pension increases for deferred pensions                                | 2.5       | 2.6       |
| Assuming retirement at age 65, the life expectancies in years are as follows: |           |           |
| For a male aged 65 now  | 21.4      | 21.2      |
| At 65 for a male member aged 45 now   | 22.8      | 22.7      |
| For a female aged 65 now  | 23.4      | 23.3      |
| At 65 for a female member aged 45 now   | 25.1      | 25.0      |

p in independently administered  
y the Group to the funds and  
1 (2016 - £21,120) were payable

recent full funding assessments  
cheme and at 1 September 2015

s Limited Pension Fund scheme  
perties owned by the Group as

an approximate conversion and

| 2017<br>£   | 2016<br>£   |
|-------------|-------------|
| 42,419,177  | 24,049,000  |
| 301,000     | 321,000     |
| 1,113,000   | 1,318,000   |
| 535,823     | 7,445,000   |
| (1,327,000) | (1,496,000) |
| -           | 10,782,177  |
| 43,042,000  | 42,419,177  |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**26. RESERVES****Revaluation reserve**

Includes all current and prior period revaluations of investment properties to fair value. Revaluations are recognised in profit or loss in the year they occur and are then transferred from the Profit and Loss Account to the Revaluation Reserve. Any amounts debited or credited to the revaluation reserve are not allowable as an expense or income for tax purposes. All amounts are non-distributable.

**Merger Reserve**

Includes all balances arising on previous business combinations which were accounted for using merger accounting. All amounts are non-distributable.

**Profit and loss account**

Includes all current and prior period retained profits and losses. All amounts are distributable.

**27. PRIOR YEAR ADJUSTMENT**

A prior year adjustment has been made to remove the revaluation of certain properties which were not previously eliminated on consolidation.

**28. CAPITAL COMMITMENTS**

At 31 December 2017 the Group and Company had capital commitments as follows:

|   | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Contracted for but not provided in these financial statements | <b>1,952,442</b>            | 3,269,243                   | -                             | -                             |
|   | <b>1,952,442</b>            | 3,269,243                   | -                             | -                             |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**29. PENSION COMMITMENTS**

The Group operates defined contribution stakeholder 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 £236,078 (2016 - £301,740). Contributions totalling £29,431 (2016 - £21,120) were payable to the funds at the balance sheet date.

The Group operates three defined benefit pension schemes.

The schemes are UK-based and are closed to new entrants. The most recent full funding assessments were at 6 April 2015 for the Firmin Coates Limited Retirement Benefits Scheme and at 1 September 2015 for the H.W. Coates Limited Retirement Benefits Scheme.

The most recent full funding assessment for the Bond Estates Holdings Limited Pension Fund scheme was at 1 October 2014. There is a fixed charge held over some properties owned by the Group as security for the pension scheme liability.

The method used to obtain the present value of scheme liabilities was an approximate conversion and update of the last full funding assessments.

Reconciliation of present value of plan liabilities:

|                               | 2017<br>£         | 2016<br>£         |
|-------------------------------|-------------------|-------------------|
| At the beginning of the year  | 42,419,177        | 24,049,000        |
| Current service cost          | 301,000           | 321,000           |
| Interest cost                 | 1,113,000         | 1,318,000         |
| Actuarial losses              | 535,823           | 7,445,000         |
| Benefits paid                 | (1,327,000)       | (1,496,000)       |
| On acquisition of subsidiary  | -                 | 10,782,177        |
| <b>AT THE END OF THE YEAR</b> | <b>43,042,000</b> | <b>42,419,177</b> |



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**H.W. COATES (HOLDINGS) LIMITED**

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

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**29. PENSION COMMITMENTS (CONTINUED)**

Reconciliation of present value of plan assets:

|                               | 2017<br>£         | 2016<br>£         |
|-------------------------------|-------------------|-------------------|
| At the beginning of the year  | 34,117,000        | 19,344,000        |
| Interest income               | 894,000           | 1,200,000         |
| Actuarial gains               | 2,154,000         | 3,818,000         |
| Contributions                 | 1,060,000         | 1,946,000         |
| Benefits paid                 | (1,327,000)       | (1,496,000)       |
| On acquisition of subsidiary  | -                 | 9,305,000         |
| <b>AT THE END OF THE YEAR</b> | <b>36,898,000</b> | <b>34,117,000</b> |

Composition of plan assets:

|                               | 2017<br>£         | 2016<br>£         |
|-------------------------------|-------------------|-------------------|
| Equities (including property) | 27,474,000        | 23,882,000        |
| Bonds                         | 6,240,000         | 6,482,000         |
| Cash                          | 3,184,000         | 3,753,000         |
| <b>TOTAL PLAN ASSETS</b>      | <b>36,898,000</b> | <b>34,117,000</b> |

|                                     | 2017<br>£          | 2016<br>£          |
|-------------------------------------|--------------------|--------------------|
| Fair value of plan assets           | 36,898,000         | 34,117,000         |
| Present value of plan liabilities   | (43,042,000)       | (42,419,177)       |
| <b>NET PENSION SCHEME LIABILITY</b> | <b>(6,144,000)</b> | <b>(8,302,177)</b> |

The amounts recognised in profit or loss are as follows:

|                                | 2017<br>£        | 2016<br>£        |
|--------------------------------|------------------|------------------|
| Current service cost           | 301,000          | 321,000          |
| Interest on obligation         | 211,000          | 177,333          |
| <b>TOTAL</b>                   | <b>512,000</b>   | <b>498,333</b>   |
| Actual return on scheme assets | 3,048,000        | 5,018,000        |
|                                | <b>3,048,000</b> | <b>5,018,000</b> |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**29. PENSION COMMITMENTS (CONTINUED)**

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £7,812,000 (2016 - £9,422,000).

The Group expects to contribute £859,000 to its three defined benefit pension schemes in 2018.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

|   | 2017<br>% | 2016<br>% |
|---|-----------|-----------|
| Discount rate   | 2.4       | 2.6       |
| Consumer price inflation  | 2.6       | 2.6       |
| Future pension increases for pensions in payment                              | 2.0       | 2.7       |
| Future pension increases for deferred pensions                                | 2.5       | 2.6       |
| Assuming retirement at age 65, the life expectancies in years are as follows: |           |           |
| For a male aged 65 now  | 21.4      | 21.2      |
| At 65 for a male member aged 45 now   | 22.8      | 22.7      |
| For a female aged 65 now  | 23.4      | 23.3      |
| At 65 for a female member aged 45 now   | 25.1      | 25.0      |

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**H.W. COATES (HOLDINGS) LIMITED**

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

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**30. COMMITMENTS PAYABLE UNDER OPERATING LEASES**

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

|  | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> |
|--|-----------------------------|-----------------------------|
| Not later than 1 year                        | <b>415,252</b>              | 299,474                     |
| Later than 1 year and not later than 5 years | <b>986,069</b>              | 817,766                     |
|  | <b><u>1,401,321</u></b>     | <b><u>1,117,240</u></b>     |

**31. COMMITMENTS RECEIVABLE UNDER OPERATING LEASES**

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

|  | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Not later than 1 year                        | <b>6,329,590</b>            | 3,890,351                   | -                             | -                             |
| Later than 1 year and not later than 5 years | <b>10,238,309</b>           | 6,793,864                   | -                             | -                             |
| Later than 5 years                           | <b>3,001,349</b>            | 3,235,003                   | -                             | -                             |
| <b>Total</b>                                 | <b><u>19,569,248</u></b>    | <b><u>13,919,218</u></b>    | <b><u>-</u></b>               | <b><u>-</u></b>               |

**32. RELATED PARTY TRANSACTIONS**

Transactions and balances with related parties are as follows:

|  | <b>2017<br/>£</b>       | <b>2016<br/>£</b>       |
|--|-------------------------|-------------------------|
| Loans due to key management personnel        | <b>803,361</b>          | 1,810,844               |
| Interest charged by key management personnel | <b>8,693</b>            | 20,479                  |
| Loans due to other related parties           | <b>1,728,667</b>        | 1,649,577               |
| Interest charged by other related parties    | <b>13,583</b>           | 18,977                  |
|  | <b><u>2,554,311</u></b> | <b><u>3,500,877</u></b> |

Total key management personnel compensation for the year was £1,141,810 (2016 - £1,019,754).

**33. CONTROLLING PARTY**

The ultimate controlling parties are M H A Coates and G G Coates.