

Consolidated Financial Statements

Mary Randall Vickers & Co Limited

For the Year Ended 31 October 2017

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COMPANIES HOUSE

Registered number: 10667745

Company Information

Directors

P J F Vickers (appointed 13 March 2017)
M L Morris (appointed 20 April 2017)
N Rushworth (appointed 20 April 2017)
P A Smailes (appointed 20 April 2017)
W P F Vickers (appointed 20 April 2017)
C J Wholley (appointed 20 April 2017)

Company secretary

M L Morris (appointed 27 April 2017)

Registered number

10667745

Registered office

Airedale Mills
6 Clarence Road
Leeds
LS10 1ND

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
No 1 Whitehall Riverside
Leeds
LS1 4BN

Bankers

National Westminster Bank plc
8 Park Row
Leeds
LS1 5HD

Solicitors

Pinsent Masons LLP
1 Park Row
Leeds
LS1 5AB

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Consolidated Strategic Report

For the Year Ended 31 October 2017

Business review

Mary Randall Vickers & Company Limited was incorporated on 3 March 2017 and on 1 June 2017 existing shareholders in Benjn. R. Vickers & Sons Limited exchanged their shares, on a one-for-one basis, for new shares in Mary Randall Vickers & Company Limited ("MRV"), which now owns 100% of Benjn. R. Vickers & Sons Limited ("BRV").

These consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they form a single entity. The merger method of accounting is used to consolidated the results of the subsidiary undertakings because the transaction to create the group has been deemed to be a group reconstruction. The merger of the companies took place on 1 June 2017. BRV, focused on the core lubricants business, remains as the major trading operation within the Group, whilst MRV is able to undertake investments beyond the core business. An investment strategy for MRV will be developed with the newly-created Owners' Council during 2018; meanwhile, with one exception, most of the dividends paid by BRV to MRV have been invested in low risk funds.

2016-17 was a relatively good year, in historical terms, for the core lubricants business, with turnover still between two and three times the historic run rate, and profitability continuing to be much higher than in the past. However, operating profit fell compared to 2016, partly due to reduced turnover and increased raw material costs, and partly because of a significant increase in depreciation. Moreover, the Group had benefitted in the previous year from non-recurring, exceptional income (a one-off VAT refund).

Although the underlying market for marine lubricants remained weak, as the shipping industry continued through another of its cyclical downturns, we retained our market share. The exceptional initial demand in 2013-15 for VGP-compliant EALs ("Environmentally Acceptable Lubricants") continued to settle to a steadier and more predictable level. While market confidence in the marine sector remains low, our strategy remains to develop certain niche sectors. Demand for our textile lubricants continued to be buoyant.

We continue to invest heavily in new product development, in order to retain technology leadership in our markets.

Phase I of the site development programme is complete, with the warehouse extension and loading docks (constructed in 2017) giving all the anticipated benefits. Phase II of the site development (the new laboratory and undercroft for empty drum storage) is underway.

Net assets in the Group increased by another 10% in the year and now exceed £30m for the first time.

Consolidated Strategic Report (continued)

For the Year Ended 31 October 2017

Principal risks and uncertainties

The Group's two main markets are the global shipping and textile industries. Although textiles remains healthy, certain sectors of the shipping industry (eg bulk carriers, container vessels, some classes of tankers, and offshore oil & gas support vessels) continue to be over-supplied and under-utilised.

The Group continues to monitor the Brexit negotiations and to evaluate what effect Brexit might actually have on us. As the majority of our raw materials are imported from EU suppliers, and a substantial portion of our exports are to EU-based customers, we could be adversely affected by a so-called "hard" Brexit, and have developed some contingency plans should they be required.

The main financial risks, in the directors' view, continue to be currency risk and credit risk. A significant proportion of our turnover relates to export sales. We are therefore exposed to some foreign currency fluctuations and continue to manage our foreign exchange exposure using hedging and forward currency agreements where appropriate. In order to manage credit risk, we review the trade debtors monthly and pay particular attention to our exposure to weaker economies.

Until 31 December 2009, BRV maintained a defined benefit pension scheme which was closed to future accrual on that date. We are obliged to make contributions to the scheme based on actuarial valuations, which are in turn based on long term assumptions. Volatility of the financial markets can affect the value of the assets in the scheme, whilst rising life expectancy tends to increase the liabilities. This year, the Group made a profit-sharing additional special contribution to the pension scheme of £250,000.

Financial key performance indicators

| | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 |
|------------------|---------------|---------------|---------------|---------------|
| Operating profit | 3,868 | 8,042 | 8,672 | 12,476 |
| Stocks | 5,464 | 4,681 | 6,135 | 5,342 |
| Pension deficit | (27) | (280) | (291) | (714) |

This report was approved by the board on 28 February 2018 and signed on its behalf.

M L Morris
Director



Directors' Report

For the Year Ended 31 October 2017

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

The company was incorporated on 3 March 2017.

Results and dividends

The profit for the year, after taxation, amounted to £3,264,367 (2016: £6,610,436).

During the year, the directors declared and paid a dividend of £156,723 (2016: £156,735).

Directors

The directors who served during the year were:

P J F Vickers (appointed 13 March 2017)

M L Morris (appointed 20 April 2017)

N Rushworth (appointed 20 April 2017)

P A Smailes (appointed 20 April 2017)

W P F Vickers (appointed 20 April 2017)

C J Wholley (appointed 20 April 2017)

Directors' responsibilities statement

The directors are responsible for preparing the Consolidated strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group'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.

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

Directors' Report (continued)

For the Year Ended 31 October 2017

Disclosure of information to auditor

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

- so far as each director is aware, there is no relevant audit information of which the Company's and the Group's auditor is unaware, and
- the directors have 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's and the Group's auditor is aware of that information.

Auditor

Grant Thornton UK LLP were appointed as first auditor of the company during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Liability Limitation Agreement with Auditor

The company entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 October 2016. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 guidance on Auditor Liability Agreements, and was approved by the shareholders on 23 March 2017.

This report was approved by the board on 28 February 2018 and signed on its behalf.



M L Morris
Director



Independent Auditor's Report to the Members of Mary Randall Vickers & Co Limited

Opinion

We have audited the financial statements of Mary Randall Vickers & Co Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2017, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated and Company Statements of changes in equity, the Consolidated Statement of cash flows 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 October 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.

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Independent Auditor's Report to the Members of Mary Randall Vickers & Co Limited (continued)

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 Auditor's report thereon. Our opinion on the financial statements does not cover the 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 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 Consolidated 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 Consolidated strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.



Independent Auditor's Report to the Members of Mary Randall Vickers & Co Limited (continued)

Matters on which we are required to report by the Companies Act 2006

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 Consolidated strategic report and the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters 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.



Independent Auditor's Report to the Members of Mary Randall Vickers & Co Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's 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. The description forms part of our Auditor's report.

Grant Thornton UK LLP

Richard Hobson (Senior statutory auditor)
for and on behalf of Grant Thornton UK LLP
Chartered Accountants, Statutory Auditor
Leeds

28 February 2018

Consolidated Statement of Comprehensive Income

For the Year Ended 31 October 2017

| | Note | 2017 £ | 2016 £ |
|--|------|------------------|--------------------|
| Turnover | 4 | 24,707,143 | 27,136,093 |
| Raw materials and consumables | | (12,978,017) | (13,199,198) |
| Other external charges | | (3,790,419) | (2,947,494) |
| Other income | 14 | - | 409,218 |
| Staff costs | 7 | (3,039,239) | (3,010,375) |
| Depreciation and profit on sale of tangible fixed assets | | (1,031,167) | (346,580) |
| Operating profit | 5 | 3,868,301 | 8,041,664 |
| Income from other fixed asset investments | 9 | 24,398 | 14,720 |
| Interest receivable | 10 | 58,283 | 49,119 |
| Other finance costs | 11 | (18,806) | (106,841) |
| Profit on ordinary activities before tax | | 3,932,176 | 7,998,662 |
| Tax on profit on ordinary activities | 12 | (667,809) | (1,388,226) |
| Profit for the financial year | | 3,264,367 | 6,610,436 |
| Actuarial losses on defined benefit pension scheme | | (246,000) | (1,139,000) |
| Corporation tax attributable to actuarial loss | | - | 96,240 |
| Other comprehensive income for the year | | (246,000) | (1,042,760) |
| Total comprehensive income for the year | | 3,018,367 | 5,567,676 |

All activities relate to continuing operations for the year.

The notes on pages 16 to 37 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 October 2017

| | Note | 2017 £ | 2016 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 15 | 8,420,420 | 7,328,873 |
| Investments | 16 | 577,454 | 77,454 |
| | | <u>8,997,874</u> | <u>7,406,327</u> |
| Current assets | | | |
| Current asset investments | 19 | 4,010,723 | - |
| Stocks | 17 | 5,464,412 | 4,681,339 |
| Debtors: amounts falling due within one year | 18 | 3,552,917 | 3,901,823 |
| Cash at bank and in hand | 20 | 12,238,432 | 15,115,211 |
| | | <u>25,266,484</u> | <u>23,698,373</u> |
| Creditors: amounts falling due within one year | 21 | (3,113,014) | (2,706,229) |
| Net current assets | | <u>22,153,470</u> | <u>20,992,144</u> |
| Total assets less current liabilities | | <u>31,151,344</u> | <u>28,398,471</u> |
| Creditors: amounts falling due after more than one year | 22 | (112,653) | - |
| Provisions for liabilities | | | |
| Deferred taxation | 24 | (206,123) | (174,547) |
| Other provisions | 25 | (439,396) | (439,396) |
| | | <u>(645,519)</u> | <u>(613,943)</u> |
| Pension liability | 28 | (27,000) | (280,000) |
| Net assets | | <u><u>30,366,172</u></u> | <u><u>27,504,528</u></u> |

Mary Randall Vickers & Co Limited
Registered number:10667745

Consolidated Statement of Financial Position (continued)

As at 31 October 2017

| | Note | 2017 £ | 2016 £ |
|--|------|-------------------|-------------------|
| Capital and reserves | | | |
| Called up share capital | 26 | 1,027,656 | 1,027,656 |
| Revaluation reserve | 27 | 1,706,837 | 1,706,837 |
| Capital redemption reserve | 27 | 208,418 | 208,418 |
| Other reserves | 27 | (291,496) | (291,496) |
| Profit and loss account | 27 | 27,714,757 | 24,853,113 |
| Equity attributable to owners of the parent Company | | 30,366,172 | 27,504,528 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 February 2018.

P J F Vickers
Director



M L Morris
Director



The notes on pages 16 to 37 form part of these financial statements.

Mary Randall Vickers & Co Limited
Registered number:10667745

Company Statement of Financial Position

As at 31 October 2017

| | Note | 2017 £ | 2016 £ |
|--|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Investments | 16 | 1,527,656 | 1,027,656 |
| Current assets | | | |
| Current asset investments | 19 | 4,010,723 | - |
| Cash at bank and in hand | 20 | 705,133 | - |
| Total assets less current liabilities | | <u>6,243,512</u> | <u>1,027,656</u> |
| Net assets | | <u><u>6,243,512</u></u> | <u><u>1,027,656</u></u> |
| Capital and reserves | | | |
| Called up share capital | 26 | 1,027,656 | 1,027,656 |
| Profit for the year | | 5,262,873 | - |
| Equity dividends paid | | <u>(47,017)</u> | <u>-</u> |
| Profit and loss account carried forward | | <u>5,215,856</u> | <u>-</u> |
| | | <u><u>6,243,512</u></u> | <u><u>1,027,656</u></u> |

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

P J F Vickers
Director
Date: 28 February 2018



M L Morris
Director



The notes on pages 16 to 37 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 October 2017

| | Called up share capital | Capital redemption reserve | Revaluation reserve | Other reserves | Profit and loss account | Total equity |
|--|-------------------------------|----------------------------------|------------------------|-------------------|-------------------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 November 2016 | 1,027,656 | 208,418 | 1,706,837 | (291,496) | 24,853,113 | 27,504,528 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 3,264,367 | 3,264,367 |
| Actuarial losses on pension scheme | - | - | - | - | (246,000) | (246,000) |
| Total comprehensive income for the year | - | - | - | - | 3,018,367 | 3,018,367 |
| Dividends: Equity capital | - | - | - | - | (156,723) | (156,723) |
| Total transactions with owners | - | - | - | - | (156,723) | (156,723) |
| At 31 October 2017 | 1,027,656 | 208,418 | 1,706,837 | (291,496) | 27,714,757 | 30,366,172 |

Consolidated Statement of Changes in Equity

For the Year Ended 31 October 2016

| | Called up share capital | Capital redemption reserve | Revaluation reserve | Other reserves | Profit and loss account | Total equity |
|--|-------------------------------|----------------------------------|------------------------|-------------------|-------------------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 November 2015 | 1,027,656 | 208,418 | 1,706,837 | (291,496) | 19,442,172 | 22,093,587 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 6,610,436 | 6,610,436 |
| Actuarial losses on pension scheme | - | - | - | - | (1,042,760) | (1,042,760) |
| Total comprehensive income for the year | - | - | - | - | 5,567,676 | 5,567,676 |
| Dividends: Equity capital | - | - | - | - | (156,735) | (156,735) |
| Total transactions with owners | - | - | - | - | (156,735) | (156,735) |
| At 31 October 2016 | 1,027,656 | 208,418 | 1,706,837 | (291,496) | 24,853,113 | 27,504,528 |

The notes on pages 16 to 37 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 31 October 2017

| | Called up share capital £ | Profit and loss account £ | |
|--|---------------------------------|---------------------------------|------------------|
| At 1 November 2015 | 1,027,656 | - | 1,027,656 |
| Profit for the year | - | - | - |
| Total comprehensive income for the year | - | - | - |
| Total transactions with owners | - | - | - |
| At 1 November 2016 | 1,027,656 | - | 1,027,656 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 5,262,873 | 5,262,873 |
| Total comprehensive income for the year | - | 5,262,873 | 5,262,873 |
| Dividends: Equity capital | - | (47,017) | (47,017) |
| Total transactions with owners | - | (47,017) | (47,017) |
| At 31 October 2017 | 1,027,656 | 5,215,856 | 6,243,512 |

The notes on 16 - 37 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 October 2017

| | 2017 £ | 2016 £ |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 3,264,367 | 6,610,436 |
| Adjustments for: | | |
| Depreciation of tangible fixed assets | 1,049,364 | 350,831 |
| Profit on disposal of tangible fixed assets | (18,197) | - |
| Interest and dividends received | (82,681) | (63,839) |
| Taxation charge | 667,809 | 1,388,226 |
| (Increase)/decrease in stocks | (783,073) | 1,453,831 |
| Decrease in debtors | 348,906 | 2,191,725 |
| Increase/(decrease) in creditors | 496,374 | (1,771,862) |
| Corporation tax (paid) | (612,169) | (1,663,910) |
| Contributions to defined benefit pension scheme | (500,000) | (1,150,000) |
| Net cash generated from operating activities | 3,830,700 | 7,345,438 |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (2,180,131) | (3,839,871) |
| Sale of tangible fixed assets | 57,417 | - |
| Purchase of unlisted investments | (500,000) | - |
| Purchase of current asset investments | (4,010,723) | - |
| Interest received | 58,283 | 49,119 |
| Income from current asset investments | 12,873 | - |
| Dividends received | 11,525 | 14,720 |
| Net cash from investing activities | (6,550,756) | (3,776,032) |
| Cash flows from financing activities | | |
| Dividends paid | (156,723) | (156,735) |
| Net cash used in financing activities | (156,723) | (156,735) |
| Net (decrease)/increase in cash and cash equivalents | (2,876,779) | 3,412,671 |
| Cash and cash equivalents at beginning of year | 15,115,211 | 11,702,540 |
| Cash and cash equivalents at the end of year | 12,238,432 | 15,115,211 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 12,238,432 | 15,115,211 |

The notes on pages 16 to 37 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 October 2017

1. General information

Mary Randall Vickers & Co Limited is a private company limited by shares and registered in England and Wales. Its registered head office is located at Airedale Mills, 6 Clarence Road, Leeds, LS10 1ND.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent the Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

In preparing the separate financial statements of the parent, the Company has taken advantage of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been presented for the parent.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

The financial statements consolidate the accounts of Mary Randall Vickers & Co Limited and all of its material subsidiary undertakings ('subsidiaries').

The merger method of accounting is used to consolidate the results of the subsidiary undertakings because the transaction to create the group has been deemed to be a group reconstruction. The merger of the companies took place on 1 June 2017. The shares issued are recorded in the company's financial statements at the nominal value of the shares issued plus the fair value of any additional consideration. The difference between the nominal value of the shares issued and the nominal value of the shares acquired is taken to a merger reserve in the consolidated financial statements.

In the group financial statements the subsidiary undertakings are treated as if they had always been a member of the group. Therefore the consolidated results for comprise the results of the subsidiaries for the full year.

The results of subsidiaries sold are included up to the effective date of disposal.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on the going concern basis.

The Group has continued to be profitable and to generate significant cash flows, as set out on page 15, and the directors are therefore satisfied that the going concern basis is appropriate for the preparation of the financial statements.

2.4 Revenue

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

Sale of goods

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

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

2.5 Tangible fixed assets

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

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

The estimated useful lives range as follows:

| | |
|---------------------|-----------------|
| Freehold buildings | - 14 - 25 years |
| Plant and machinery | - 4 - 8 years |
| Motor vehicles | - 4 years |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Cash and cash equivalents

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

2.10 Financial instruments

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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 reporting date.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Group does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.11 Creditors

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

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

2.13 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.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

Until 31 December 2009 the Group operated a defined benefit plan for all employees. It was closed to all future accrued on that date. 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 Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting 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 company 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 cost'.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.16 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.17 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.18 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting 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 Statement of financial position 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 reporting date.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.19 Exceptional items

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

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where the judgements and estimates have been made include:

- Useful lives of fixed assets
- The carrying value of stock
- The recoverability of debtors
- The assessment of amounts potentially payable under claims against the group
- The assumptions underlying the valuation of the defined benefit pension scheme

Although these estimates and associated assumptions are based on historical experience and management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis

4. Turnover

All turnover is attributable to the principal activities of the group as set out in the directors' report on page 3. No analysis of turnover is supplied as the directors consider this would be prejudicial to the group's interest.

5. Operating profit

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

| | 2017 | 2016 |
|---------------------------------------|-------------------|-------------------|
| | £ | £ |
| Depreciation of tangible fixed assets | 1,049,364 | 350,830 |
| Exchange differences | (194,242) | (660,429) |
| Other operating lease rentals | 37,362 | 26,217 |
| | <u> </u> | <u> </u> |

Notes to the Financial Statements

For the Year Ended 31 October 2017

6. Auditor's remuneration

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements | 53,510 | 58,543 |
| Fees payable to the Group's auditor in respect of: | | |
| Audit of the company's financial statements | 2,000 | - |
| Audit of the subsidiary's financial statements | 25,500 | 25,000 |
| Tax advisory | 10,800 | 20,143 |
| Corporation tax compliance | 4,050 | 3,850 |
| Other | 3,560 | 2,000 |
| Audit of company pension schemes | 7,600 | 7,550 |
| | 53,510 | 58,543 |

7. Employees

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

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Wages and salaries | 2,591,644 | 2,728,449 | - | - |
| Social security costs | 294,650 | 298,538 | - | - |
| Cost of defined contribution scheme | 152,945 | 105,469 | - | - |
| | 3,039,239 | 3,132,456 | - | - |

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

| | 2017 No. | 2016 No. |
|-------------------------------|-------------|-------------|
| Administration and production | 61 | 61 |

Notes to the Financial Statements

For the Year Ended 31 October 2017

8. Directors' remuneration

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Directors' emoluments | 576,860 | 507,912 |
| Company contributions to defined contribution pension schemes | 18,736 | 17,948 |
| | <u>595,596</u> | <u>525,860</u> |

During the year retirement benefits were accruing to 6 directors (2016: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £163,542 (2016: £147,410).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,072 (2016: £Nil).

The total accrued pension provision of the highest paid director under the defined benefit pension scheme at 31 October 2017 amounted to £59,260 (2016: £37,027).

9. Income from investments

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| Income from current asset investments | 12,873 | - |
| Dividends received from unlisted investments | 11,525 | 14,720 |
| | <u>24,398</u> | <u>14,720</u> |

10. Interest receivable

| | 2017 £ | 2016 £ |
|--------------------------|-----------|-----------|
| Bank interest receivable | 58,283 | 49,119 |

11. Other finance costs

| | 2017 £ | 2016 £ |
|--|---------------|----------------|
| Fair value change on forward foreign exchange contract | 17,806 | 106,841 |
| Net finance cost on defined benefit pension scheme | 1,000 | - |
| | <u>18,806</u> | <u>106,841</u> |

Notes to the Financial Statements

For the Year Ended 31 October 2017

12. Taxation

| | 2017 £ | 2016 £ |
|--|----------------|------------------|
| Corporation tax | | |
| Current tax on profits for the year | 796,181 | 1,374,143 |
| Adjustments in respect of previous periods | (159,948) | (120,658) |
| | <u>636,233</u> | <u>1,253,485</u> |
| Total current tax | <u>636,233</u> | <u>1,253,485</u> |
| Deferred tax (note 24) | | |
| Origination and reversal of timing differences | 7,860 | 87,467 |
| Adjustments in respect of prior periods | 23,716 | 47,274 |
| | <u>31,576</u> | <u>134,741</u> |
| Total deferred tax | <u>31,576</u> | <u>134,741</u> |
| Taxation on profit on ordinary activities | <u>667,809</u> | <u>1,388,226</u> |

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 19.41% (2016: 20%). The differences are explained below:

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Profit on ordinary activities before tax | <u>3,932,176</u> | <u>7,998,662</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.41% (2016: 20%) | 763,235 | 1,599,732 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 41,729 | 16,381 |
| Adjustments to tax charge in respect of prior periods | (159,948) | (120,658) |
| Deferred tax not provided | - | (133,760) |
| Adjustment in respect of prior periods - deferred tax | 23,716 | 47,274 |
| Rate differences | (923) | (20,743) |
| Total tax charge for the year | <u>667,809</u> | <u>1,388,226</u> |

Notes to the Financial Statements

For the Year Ended 31 October 2017

13. Dividends

| | 2017 £ | 2016 £ |
|----------------------------------|----------------|----------------|
| Dividends paid on equity capital | <u>156,723</u> | <u>156,735</u> |

14. Exceptional items

| | 2017 £ | 2016 £ |
|------------------------|-----------|----------------|
| Exceptional VAT income | <u>-</u> | <u>409,218</u> |

15. Tangible fixed assets

Group

| | Freehold land & buildings £ | Plant & machinery £ | Motor vehicles £ | Assets under construction £ | Total £ |
|---------------------------|--------------------------------------|---------------------------|------------------------|-----------------------------------|-------------------|
| Cost | | | | | |
| At 1 November 2016 | 2,200,000 | 6,190,688 | 219,941 | 3,767,526 | 12,378,155 |
| Additions | 243,845 | 518,216 | 73,148 | 1,344,922 | 2,180,131 |
| Disposals | (2,618) | (238,282) | (56,495) | - | (297,395) |
| Transfers between classes | 5,043,881 | - | - | (5,043,881) | - |
| At 31 October 2017 | <u>7,485,108</u> | <u>6,470,622</u> | <u>236,594</u> | <u>68,567</u> | <u>14,260,891</u> |
| Depreciation | | | | | |
| At 1 November 2016 | 159,221 | 4,722,068 | 167,993 | - | 5,049,282 |
| Charge for the year | 668,342 | 354,074 | 26,948 | - | 1,049,364 |
| Disposals | (2,618) | (236,830) | (18,727) | - | (258,175) |
| At 31 October 2017 | <u>824,945</u> | <u>4,839,312</u> | <u>176,214</u> | <u>-</u> | <u>5,840,471</u> |
| Net book value | | | | | |
| At 31 October 2017 | <u>6,660,163</u> | <u>1,631,310</u> | <u>60,380</u> | <u>68,567</u> | <u>8,420,420</u> |
| At 31 October 2016 | <u>2,040,779</u> | <u>1,468,620</u> | <u>51,948</u> | <u>3,767,526</u> | <u>7,328,873</u> |

Notes to the Financial Statements

For the Year Ended 31 October 2017

16. Fixed asset investments

Group

| | Unlisted investments £ | Other fixed asset investments £ | Total £ |
|-----------------------|------------------------------|--|------------|
| Cost | | | |
| At 1 November 2016 | - | 77,454 | 77,454 |
| Additions | 500,000 | - | 500,000 |
| At 31 October 2017 | 500,000 | 77,454 | 577,454 |
| Net book value | | | |
| At 31 October 2017 | 500,000 | 77,454 | 577,454 |
| At 31 October 2016 | - | 77,454 | 77,454 |

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding | Principal activity |
|--|--------------------|---------|---|
| Benjn R. Vickers & Sons Limited | Ordinary | 100 % | Development, manufacture and marketing of specialised lubricants |
| Vickers (Leeds) Limited | Ordinary | 100 % | Non-trading |
| Vickers Employee Share Trustee Limited | Ordinary | 100 % | Trustee of Employee Share Trust |

Indirect subsidiary undertakings

The following were subsidiary undertakings of the Company (all owned by Benjn R. Vickers & Sons Limited):

| Name | Class of shares | Holding | Principal activity |
|--|--------------------|---------|--|
| Vickers Oils Limited | Ordinary | 100 % | Non-trading |
| Vickers Oils Pension Trustees Limited | Ordinary | 100 % | Trustee of Employee Pension Schemes |
| Vickers Oils Services Limited | Ordinary | 100 % | Non-trading |

Notes to the Financial Statements

For the Year Ended 31 October 2017

16. Fixed asset investments (continued)

Company

| | Investments in subsidiary companies £ | Unlisted investments £ | Total £ |
|-----------------------|--|------------------------------|------------|
| Cost | | | |
| At 1 November 2016 | 1,027,656 | - | 1,027,656 |
| Additions | - | 500,000 | 500,000 |
| At 31 October 2017 | 1,027,656 | 500,000 | 1,527,656 |
| Net book value | | | |
| At 31 October 2017 | 1,027,656 | 500,000 | 1,527,656 |
| At 31 October 2016 | 1,027,656 | - | 1,027,656 |

17. Stocks

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Raw materials and consumables | 1,602,826 | 1,719,210 | - | - |
| Finished goods and goods for resale | 3,861,586 | 2,962,129 | - | - |
| | 5,464,412 | 4,681,339 | - | - |

Stock recognised in cost of sales during the year as an expense was £10,226,853 (2016: £10,359,724).

18. Debtors

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|--------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors | 3,014,916 | 3,413,685 | - | - |
| Other debtors | 113,808 | 223,244 | - | - |
| VAT repayable | 308,798 | 121,444 | - | - |
| Prepayments and accrued income | 115,395 | 143,450 | - | - |
| | 3,552,917 | 3,901,823 | - | - |

Notes to the Financial Statements

For the Year Ended 31 October 2017

19. Current asset investments

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|--------------------|--------------------|--------------------|----------------------|----------------------|
| Listed investments | 4,010,723 | - | 4,010,723 | - |

20. Cash and cash equivalents

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | 12,238,432 | 15,115,211 | 705,133 | - |

21. Creditors: Amounts falling due within one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | 2,028,783 | 1,663,408 | - | - |
| Other creditors | 5,277 | 5,277 | - | - |
| Corporation tax | 142,640 | 118,576 | - | - |
| Other taxation and social security | 64,407 | 60,852 | - | - |
| Accruals and deferred income | 854,101 | 751,275 | - | - |
| Financial instruments (note 31) | 17,806 | 106,841 | - | - |
| | 3,113,014 | 2,706,229 | - | - |

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

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|------------------------------|--------------------|--------------------|----------------------|----------------------|
| Accruals and deferred income | 112,653 | - | - | - |

Notes to the Financial Statements

For the Year Ended 31 October 2017

23. Financial instruments

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Financial assets | | | | |
| Financial assets measured at amortised cost | 15,367,156 | 18,752,140 | 705,133 | - |
| | <u>15,367,156</u> | <u>18,752,140</u> | <u>705,133</u> | <u>-</u> |
| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value | (17,806) | (106,841) | - | - |
| Financial liabilities measured at amortised cost | (3,000,814) | (2,419,960) | - | - |
| | <u>(3,018,620)</u> | <u>(2,633,642)</u> | <u>-</u> | <u>-</u> |

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors and other debtors.

Financial liabilities measured at fair value comprise forward foreign exchange contracts.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals and deferred income.

24. Deferred taxation**Group**

| | 2017 £ | 2016 £ |
|-------------------------------------|----------------|----------------|
| At beginning of year | 174,547 | 39,806 |
| Charged to profit or loss (note 12) | 31,576 | 134,741 |
| At end of year | <u>206,123</u> | <u>174,547</u> |

The provision for deferred taxation is made up as follows:

| | Group 2017 £ | Group 2016 £ |
|--------------------------------|--------------------|--------------------|
| Accelerated capital allowances | 208,594 | 176,765 |
| Short term timing differences | (2,471) | (2,218) |
| | <u>206,123</u> | <u>174,547</u> |

Notes to the Financial Statements

For the Year Ended 31 October 2017

25. Provisions

Group

| | Other provisions £ |
|---------------------------|--------------------------|
| At 1 November 2016 | 439,396 |
| At 31 October 2017 | 439,396 |

As a result of claims being made against third parties, the group has provided for potential contributions which it may be required to make in respect of these claims. The timing of such contributions is uncertain, but the directors are satisfied that the group probably has a constructive obligation and has therefore made a reliable estimate of the potential contributions.

In addition, in relation to the same matter, there are other potential costs in respect of which the directors are satisfied that both the quantum and the timing of any payments are sufficiently uncertain not to require provision in the financial statements and that this represents a contingent liability at 31 October 2017. On the basis of the current circumstances, the directors are satisfied that these latter payments should not exceed £210,000 (2016: £210,000).

26. Share capital

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 1,027,656 Ordinary shares of £1 each | 1,027,656 | 1,027,656 |

One ordinary share of £1 was issued on the incorporation of the company. A further 1,027,655 ordinary shares of £1 each were issued on 1 June 2017 in a share for share exchange for the issued share capital of Benjn R. Vickers & Sons Limited.

Notes to the Financial Statements

For the Year Ended 31 October 2017

27. Reserves

Revaluation reserve

Includes all surpluses and deficits arising from the revaluation of properties.

Capital redemption reserve

Represents amounts transferred from share capital on redemption of issued shares.

Other reserves

Own shares reserve, which represents the carrying value of company shares owned by the company itself.

Profit and loss account

Includes all current and prior period retained profits and losses.

28. Capital commitments

At 31 October 2017 the Group had capital commitments as follows:

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Contracted but not provided in these financial statements | - | 1,381,000 |

In December 2017 the directors contracted for additional capital expenditure of £2,600,000 which has not been provided in these financial statements.

Notes to the Financial Statements

For the Year Ended 31 October 2017

29. Pension commitments

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost includes contributions payable during the year.

Defined benefit pension scheme

The Group operates a closed defined benefit pension scheme.

The scheme provides benefits based on final salary (until 31 December 2005) and career average earnings (until 31 December 2009). The assets of the scheme are held in a separate trustee administered fund, known as Benjn. R. Vickers & Sons Limited Retirement Benefits Plan (1975). The scheme closed to future accrual on 31 December 2009.

In accordance with FRS 102, the full actuarial valuation dated 31 December 2016 was updated to 31 October 2017 by a qualified independent actuary using assumptions set out later in this note.

Composition of plan assets:

| | 2017 £ | 2016 £ |
|----------------------------|-------------------|-------------------|
| Equities (UK and overseas) | 8,177,000 | 9,638,000 |
| Property | 465,000 | 642,000 |
| Gilts | 1,305,000 | 9,470,000 |
| Bonds | 1,806,000 | 6,981,000 |
| Cash | 491,000 | 1,025,000 |
| Insurance policies | 13,217,000 | 376,000 |
| Other | 355,000 | 381,000 |
| Total | 25,816,000 | 28,513,000 |

The amounts recognised in profit or loss are as follows:

| | 2017 £ | 2016 £ |
|--------------------------------|----------------|-----------|
| Interest on obligation | (817,000) | (929,000) |
| Past service cost | 816,000 | 929,000 |
| Total | (1,000) | - |
| Actual return on scheme assets | (1,978,000) | 4,623,000 |

Notes to the Financial Statements

For the Year Ended 31 October 2017

29. Pension commitments (continued)

Changes in the fair value of scheme assets were as follows:

| | 2017 £ | 2016 £ |
|-------------------------------------|-------------------|-------------------|
| Opening fair value of scheme assets | 28,513,000 | 23,701,000 |
| Interest income on scheme assets | 816,000 | 929,000 |
| Actuarial (losses)/ gains | (2,794,000) | 3,694,000 |
| Contributions by employer | 500,000 | 1,150,000 |
| Benefits paid | (1,219,000) | (961,000) |
| | <u>25,816,000</u> | <u>28,513,000</u> |

Changes in the fair value of scheme liabilities were as follows:

| | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Opening defined benefit obligation | 28,793,000 | 23,992,000 |
| Interest cost | 817,000 | 929,000 |
| Actuarial (gains)/ losses | (2,548,000) | 4,833,000 |
| Benefits paid | (1,219,000) | (961,000) |
| Closing defined benefit obligation | <u>25,843,000</u> | <u>28,793,000</u> |

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £1,704,000 (2016: £1,458,000).

The Group expects to contribute £375,000 to its Defined benefit pension scheme in the year ending 31 October 2018.

Notes to the Financial Statements

For the Year Ended 31 October 2017

29. Pension commitments (continued)

Principal actuarial assumptions at the Statement of financial position date (expressed at weighted averages).

| | 2017 % | 2016 % |
|--|-----------|-----------|
| Discount rate at 31 October | 2.90 | 2.90 |
| Future salary increases | 2.60 | 2.70 |
| Future pension increases (RPI min. 3%, max 5%) | 3.00 | 3.00 |
| Pension increase rate (CPI max. 2.5%) | 2.60 | 2.70 |
| Inflation (CPI) | 2.60 | 2.70 |

Mortality assumptions have been calculated on the same basis in 2017 and 2016, with assumed male future life expectancy at age 65 for males currently aged 55 of 22.7 years (2016: 24.1 years) and for males currently aged 65 of 21.6 years (2016: 22.6 years).

Amounts for the current and previous four periods are as follows:

| | 2017 £ | 2016 £ | 2015 £ | 2014 £ | 2013 £ |
|----------------------------|-----------------|------------------|----------------|------------------|------------------|
| Defined benefit obligation | (25,483,000) | (28,793,000) | (23,992,000) | (23,470,000) | (21,539,000) |
| Scheme assets | 25,816,000 | 28,513,000 | 23,701,000 | 22,756,000 | 20,622,000 |
| | <u>(27,000)</u> | <u>(280,000)</u> | <u>291,000</u> | <u>(714,000)</u> | <u>(917,000)</u> |

On 8 November 2016, the trustee directors of the pension scheme completed a de-risking exercise by conducting a buy-in of certain pensioner liabilities. The group supported this exercise with a special contribution of £500,000.

30. Operating lease commitments

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

| | 2017 £ | 2016 £ |
|------------------|---------------|---------------|
| Within 1 year | 21,150 | 21,150 |
| Within 2-5 years | 51,115 | 68,740 |
| | <u>72,265</u> | <u>89,890</u> |

Notes to the Financial Statements

For the Year Ended 31 October 2017

31. Financial instruments

At 31 October 2017 the group held forward foreign exchange contracts with a fair value of £17,806 (2016: £106,841) which has been recognised in the Statement of Comprehensive Income.

32. Parent undertaking and controlling party

The directors consider that the company has no single ultimate controlling party.

33. Related party transactions

The directors represent key management personnel for the purposes of the FRS 102 related party requirements and their compensation is disclosed in note 8.