

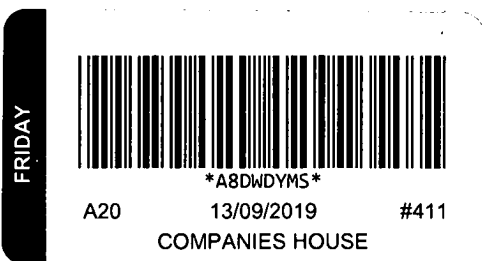
Pyrotek Engineering Materials Limited

Annual Report and Financial Statements

Year Ended

30 June 2019

Company Number 00269400



Pyrotek Engineering Materials Limited

Company Information

Directors	A G Roy S F Ray A S Hollis M Vincent G Albers
Company secretary	A S Hollis
Registered number	00269400
Registered office	Garamonde Drive Wymbush Milton Keynes MK8 8LN
Independent auditor	BDO LLP Mortlock House Station Road Impington Cambridge CB24 9NP

Pyrotek Engineering Materials Limited

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Pyrotek Engineering Materials Limited

Strategic Report For the year ended 30 June 2019

Introduction

The Directors present their strategic report together with the audited financial statements for the year ended 30 June 2019.

Principal activities, review of business and future developments

Pyrotek is a leading international company supplying to the aluminium, foundry, glass, zinc and steel markets. Pyrotek products are critical to the technical operations of these customers and include both consumable products as well as equipment, services and technical advice and recommendations.

Pyrotek Engineering Materials Ltd is one of the oldest companies in the Pyrotek group and has branches in Germany, Italy and Spain as well as its primary location in Milton Keynes, UK. Milton Keynes is also the machining centre for Europe and sells internationally to other Pyrotek locations worldwide.

Turnover for the year is £29.0m (2018 - £26.1m) with a profit for the year after taxation of £1,813,744 (2018 - £1,960,630) and total comprehensive income for the year was £1,790,962 (2018 - £1,956,697).

Aluminium

Demand for aluminium has remained strong in general with overall sales to this market increasing for the year. Italy and Spain have performed well and we have also seen an increase in Germany where we have won additional contracts for service work.

Foundry

Despite some negative news on some foundries, particularly those linked to making parts for diesel engines; in general we have seen excellent growth to this market as well. It has been enhanced by our increasing range of equipment that is also translating to increased consumable sales to those pieces of equipment that we are selling to the market.

Glass

We have 3 major product offerings to the glass market. We have seen 2 increase significantly this year across all of Europe, however the sales of the machined inserts has dropped significantly due to some alternative materials being available on the market. We have seen some recovery of this towards the end of the financial year and have taken action to win back business lost.

Manufactured parts

Inter Pyrotek sales for the year has been slightly down on the prior year. This is in part due to the mix of products and also in part due to the reduction in business for the Glass Market. We are working hard to target new business for the machining department and had some success in this area during the last 3 months of the financial year. We are also looking at what other manufacturing the Milton Keynes plant can do for Pyrotek in Europe, however current uncertainty related to the UK leaving the EU is making decisions on this very difficult to make so we are looking forward to having that uncertainty lifted.

Pyrotek Engineering Materials Limited

Strategic report (continued)
For the year ended 30 June 2019

Principal risks and uncertainties

Exchange rate is always a risk – especially given that purchases are mainly in Euro and USD where sales in the UK are mainly in GBP and in the German, Italian and Spanish branches are in EUR. A few very low margin products have been converted to Euro selling prices in the UK at customers where we are especially concerned about this risk. Pyrotek's corporate policy is to not forward purchase currencies to mitigate this risk, but instead monitor the situation closely and when appropriate adjust customer selling prices.

There is some uncertainty what may happen to the UK market post Brexit. The UK producers are largely dependent on the automotive and aerospace industries. With most of the large players in these industries threatening to move production out of the UK should there be post Brexit obstacles to trade it is of concern. This despite the fact that in the last 12 months 2 brand new automotive foundries to support these industries have been opened in the UK. The first significant new facilities in a number of years.

Financial key performance indicators

The key performance indicators of the company are as follows (£000's unless otherwise stated):

	2019 £	2018 £	Change %
Turnover	29,023	26,084	11
Operating profit	2,299	2,494	(8)
Profit after taxation	1,814	1,961	(8)
Average head count (number)	105	101	4
Staff costs	7,297	6,294	16
Inventory	5,172	4,119	26

Pyrotek Engineering Materials Limited

Strategic report (continued)
For the year ended 30 June 2019

Financial risk management

The board regularly reviews the financial requirements of the company and the risks associated therewith. The company's operations are primarily financed from retained earnings, bank borrowings (including an overdraft facility), bank loans and loans from fellow group companies. The company does not use complicated financial instruments, and does not use derivative financial instruments for trading purposes.

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates. The company's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all financial instruments is its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

Market value of land and buildings

The directors are of the opinion that the market value of the company's interests in land and buildings exceeds book value by at least £1,333,968 (2018 - £1,343,000).

Branches in the EU

The company currently operates branches in Germany, Italy and Spain.

Research and development activities

The company is actively engaged in product research and development in order to maintain its competitiveness.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, details of its financial instruments and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report. The company has sufficient financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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



A S Hollis
Director

Date: 20/08/2019

Pyrotek Engineering Materials Limited

Directors' report For the year ended 30 June 2019

The Directors present their report and the financial statements for the year ended 30 June 2019.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The profit for the year, after taxation, amounted to £1,813,744 (2018 - £1,960,630).

Directors

The Directors who served during the year were:

A G Roy
A S Hollis
M Vincent
G Albers
S F Ray

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 the Director is aware, there is no relevant audit information of which the company's auditor is 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's auditor is aware of that information.

Pyrotek Engineering Materials Limited

Directors' report (continued)
For the year ended 30 June 2019

Post Statement of Financial Position events

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

Strategic Report

The directors have included a business review within the Strategic Report. Also included in the Strategic Report are details of the principal risks and uncertainties, a review of the key performance indicators as assessed by the directors and details in respect of future activities.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



A S Hollis
Director

Date: 20/08/2019

Pyrotek Engineering Materials Limited

Independent Auditor's report to the members of Pyrotek Engineering Materials Limited

Opinion

We have audited the financial statements of Pyrotek Engineering Materials Limited ("the Company") for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows, and the notes to the financial statements, 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 Company's affairs as at 30 June 2019 and of its 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 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.

Pyrotek Engineering Materials Limited

Independent Auditor's report to the members of Pyrotek Engineering Materials Limited (continued)

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 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 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.

Opinions 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Pyrotek Engineering Materials Limited

Independent Auditor's report to the members of Pyrotek Engineering Materials Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 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.



Piers Harrison (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Cambridge, UK

Date: 21 August 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Pyrotek Engineering Materials Limited

Statement of Comprehensive Income For the year ended 30 June 2019

	Note	2019 £	2018 £
Turnover	4	29,022,842	26,083,504
Cost of sales		(19,949,124)	(17,520,842)
Gross profit		9,073,718	8,562,662
Distribution costs		(7,483,151)	(6,373,273)
Administrative expenses		(4,229,687)	(3,606,589)
Other operating income	5	4,938,575	3,911,107
Operating profit	6	2,299,455	2,493,907
Interest receivable and similar income	9	14,879	23,465
Interest payable and expenses	10	(5,263)	(6,941)
Other finance income	11	(8,000)	(5,000)
Profit before tax		2,301,071	2,505,431
Tax on profit	12	(487,327)	(544,801)
Profit for the financial year		1,813,744	1,960,630
Other comprehensive income for the year			
Currency translation differences		109,218	46,067
Actuarial losses on defined benefit pension scheme		(132,000)	(50,000)
Other comprehensive income for the year		(22,782)	(3,933)
Total comprehensive income for the year		1,790,962	1,956,697

The notes on pages 14 to 37 form part of these financial statements.

Pyrotek Engineering Materials Limited

Registered number: 00269400

Statement of Financial Position As at 30 June 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	14		7,999		6,038
Tangible assets	15		2,878,550		2,696,854
			<u>2,886,549</u>		<u>2,702,892</u>
Current assets					
Stocks	16	5,171,512		4,119,401	
Debtors: amounts falling due within one year	17	7,419,780		6,740,371	
Cash at bank and in hand	18	1,186,497		1,560,042	
		<u>13,777,789</u>		<u>12,419,814</u>	
Current liabilities					
Creditors: amounts falling due within one year	19	(3,614,166)		(3,679,506)	
Net current assets			<u>10,163,623</u>		<u>8,740,308</u>
Total assets less current liabilities			<u>13,050,172</u>		<u>11,443,200</u>
Provisions for liabilities					
Deferred tax	21	(153,677)		(143,667)	
Pension liability		(478,000)		(227,000)	
Net assets			<u><u>12,418,495</u></u>		<u><u>11,072,533</u></u>
Capital and reserves					
Called up share capital	22	50,000		50,000	
Profit and loss account	23	12,368,495		11,022,533	
			<u><u>12,418,495</u></u>		<u><u>11,072,533</u></u>

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



A S Hollis
Director

Date: 20/08/2019

The notes on pages 14 to 37 form part of these financial statements.

Pyrotek Engineering Materials Limited

Statement of Changes in Equity For the year ended 30 June 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2018	50,000	11,022,533	11,072,533
Comprehensive income for the year			
Profit for the year	-	1,813,744	1,813,744
Currency translation differences	-	109,218	109,218
Actuarial losses on pension scheme	-	(132,000)	(132,000)
Total comprehensive income for the year	-	1,790,962	1,790,962
Dividends: Equity capital	-	(445,000)	(445,000)
Total transactions with owners	-	(445,000)	(445,000)
At 30 June 2019	50,000	12,368,495	12,418,495

Statement of Changes in Equity For the year ended 30 June 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2017	50,000	9,766,658	9,816,658
Comprehensive income for the year			
Profit for the year	-	1,960,630	1,960,630
Currency translation differences	-	46,098	46,098
Actuarial losses on pension scheme	-	(50,000)	(50,000)
Total comprehensive income for the year	-	1,956,728	1,956,728
Dividends: Equity capital	-	(700,853)	(700,853)
Total transactions with owners	-	(700,853)	(700,853)
At 30 June 2018	50,000	11,022,533	11,072,533

The notes on pages 14 to 37 form part of these financial statements.

Pyrotek Engineering Materials Limited

Statement of Cash Flows For the year ended 30 June 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,813,744	1,960,630
Adjustments for:		
Amortisation of intangible assets	3,226	4,585
Depreciation of tangible assets	438,893	380,876
Profit on disposal of tangible assets	-	(7,461)
Interest paid	5,263	6,191
Interest received	(14,879)	(22,715)
Taxation charge	487,327	544,801
Increase in stocks	(1,012,874)	(134,688)
Increase in debtors	(366,426)	(436,465)
(Decrease)/increase in creditors	(104,272)	728,078
Difference between net pension expense and cash contribution	119,000	(67,000)
Corporation tax paid	(722,931)	(1,190,656)
Foreign exchange	19,861	(7,416)
Net cash generated from operating activities	665,932	1,758,760
Cash flows from investing activities		
Purchase of intangible fixed assets	(5,162)	(6,454)
Purchase of tangible fixed assets	(609,607)	(857,394)
Sale of tangible fixed assets	-	9,818
Interest received	14,879	22,715
Net cash from investing activities	(599,890)	(831,315)

Pyrotek Engineering Materials Limited

Statement of Cash Flows (continued) For the year ended 30 June 2019

	2019 £	2018 £
Cash flows from financing activities		
Dividends paid	(445,000)	(700,853)
Interest paid	(5,263)	(6,191)
Net cash used in financing activities	(450,263)	(707,044)
Net (decrease)/increase in cash and cash equivalents	(384,221)	220,401
Cash and cash equivalents at beginning of year	1,560,042	1,334,183
Foreign exchange gains and losses	10,676	5,458
Cash and cash equivalents at the end of year	1,186,497	1,560,042
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,186,497	1,560,042
	1,186,497	1,560,042

The notes on pages 14 to 37 form part of these financial statements.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

1. General Information

Pyrotek Engineering Materials Limited is a private company limited by shares and incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Turnover

Revenue from the sales of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met according to the specific terms and conditions applicable to the sale. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

2.3 Other operating income

Other operating income includes commission income receivable, which is recognised when earned. It also includes recharges made to other group companies, which is recognised when earned which is when the service is provided.

2.4 Intangible assets

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

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

The estimated useful lives range as follows:

Intangible assets	-	15% - 33% per annum straight line
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Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

2. Accounting policies (continued)

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.

The company 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 company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Statement of Comprehensive Income during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Freehold property	- 2% and 4% per annum
Long-term leasehold property	- over the period of the lease
Plant and machinery	- 15% - 33% per annum
Motor vehicles	- 20% per annum

Freehold land is not depreciated.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

2.6 Operating leases: the company as lessee

The company has no assets which are financed by leasing arrangements that give rights approximating to ownership ('finance leases').

As such, all leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive income on a straight line basis over the period of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the Statement of Comprehensive Income over the term of the lease.

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Work in progress and finished goods value is based on the cost of materials and direct labour costs, together with an appropriate proportion of production overheads, on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

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 the Statement of Comprehensive Income.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

2. Accounting policies (continued)

2.8 Debtors

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

2.9 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.

In the 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 company's cash management.

2.10 Financial instruments

The company 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.

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 Statement of Comprehensive Income.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company 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.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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.

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.

2.12 Government grants

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

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

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The company's functional currency is GBP in respect of operations undertaken from the UK. The company currently operates branches in Germany, Italy and Spain, and the functional currency for those branches is the Euro.

The company financial statements are presented in 'sterling', which is the company's presentation currency.

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

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 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 Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

2.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 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.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

2. Accounting policies (continued)

2.16 Pensions

Contributions to the company's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's Statement of Financial Position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 company in independently administered funds.

Defined benefit pension plan

The company operates a defined benefit plan 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 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 company'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'.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

2. Accounting policies (continued)

2.16 Pensions (continued)

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'.

2.17 Holiday pay accrual

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

2.18 Interest income

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

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

2.20 Research and development

Research and development expenditure is written off in the year in which it is incurred.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

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

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Deferred tax

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; and any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Impairment of tangible fixed assets

Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details of the estimates applied are given in note 25.

In determining the appropriate discount rate management considered the single equivalent discount rate for a pension scheme with an 18 year duration (2017 - iBoxx index 'AA rated Corporate Bonds with terms over 15 years as a basis, with an increase of 0.1% to allow for the duration of the pension plan liabilities). The mortality rate is based on the standard table known as S2PA, using 115% of the base table with the CMI_2017 (2017L CMI_2015) mortality projections with a long term rate of improvement of 1% (2018 - 1%). RPI is based on the inflation rate for a pension scheme with an 18 year duration, using RPI of 3.35% reduced by 0.2%, hence it is based on the headline inflation index adjusted to reflect any caps and collars, bearing in mind the proximity of the future inflation assumptions to those caps and collars and the expected variability of future inflation increases (2017 - 0.2% below the Bank of England implied inflation rate for the scheme duration). CPI is derived by applying a reduction to the estimate for RPI of 1.0% (2017 - 1.0%).

Recoverability of financial assets

Determine whether debtors are recoverable. Consideration is made of any objective evidence of impairment of any financial assets that are measured at cost or amortised cost, including observable data that come to the attention of the company or other factors which may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in respect of that financial asset.

Operating lease commitments

Determine whether leases entered into by the company either as a lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

4. Analysis of turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	2,293,943	2,197,357
Europe	25,817,582	22,522,273
Rest of the world	911,316	1,363,874
	<u>29,022,841</u>	<u>26,083,504</u>

Turnover represents the sale of goods and is wholly attributable to the principal activity of the company.

5. Other operating income

	2019 £	2018 £
Commission and royalty income	432,212	335,954
Group recharges	4,567,442	3,570,593
Other expenses	(61,079)	(2,906)
Profit on disposal of tangible assets	-	7,466
	<u>4,938,575</u>	<u>3,911,107</u>

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	793,876	792,296
Amortisation of intangible fixed assets	3,226	4,437
Depreciation of tangible fixed assets	438,893	380,876
Profit on disposal of tangible fixed assets	-	7,466
Operating lease expense	272,449	251,044
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	31,215	31,215
Exchange differences	16,460	14,633

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

7. Employees

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

	2019 £	2018 £
Wages and salaries	6,177,330	5,292,296
Social security costs	977,300	875,469
Cost of defined contribution scheme	142,830	126,157
	<u>7,297,460</u>	<u>6,293,922</u>

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

	2019 No.	2018 No.
Production	31	31
Management and administration	22	21
Sales	52	49
	<u>105</u>	<u>101</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	735,037	949,948
Company contributions to defined contribution pension schemes	31,126	24,915
	<u>766,163</u>	<u>974,863</u>

During the year retirement benefits were accruing to 3 Directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £259,544 (2018 - £417,292).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £Nil (2018 - £7,193).

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

9. Interest receivable

	2019 £	2018 £
Loans to group companies	14,650	16,065
Other interest receivable	229	7,400
	<u>14,879</u>	<u>23,465</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	-	311
Loans from group undertakings	5,263	6,630
	<u>5,263</u>	<u>6,941</u>

11. Other finance costs

	2019 £	2018 £
Net interest on net defined benefit liability	8,000	5,000
	<u>8,000</u>	<u>5,000</u>

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

12. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	336,814	333,764
Adjustments in respect of previous periods	2,660	12,042
	<u>339,474</u>	<u>345,806</u>
Double taxation relief	(356,342)	(343,033)
	<u>(16,868)</u>	<u>2,773</u>
Foreign tax		
Foreign tax on income for the year	494,185	477,633
Foreign tax in respect of prior periods	-	(9,249)
	<u>494,185</u>	<u>468,384</u>
Total current tax	<u>477,317</u>	<u>471,157</u>
Deferred tax		
Origination and reversal of timing differences	11,261	73,539
Adjustments in respect of prior periods	(1,251)	105
Total deferred tax	<u>10,010</u>	<u>73,644</u>
Taxation on profit on ordinary activities	<u>487,327</u>	<u>544,801</u>

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>2,301,071</u>	<u>2,505,431</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	437,203	476,585
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	699	851
Fixed asset differences	19,110	14,323
Adjustments to tax charge in respect of prior periods	2,660	2,792
Adjust closing deferred tax to average rate of 19%	(18,080)	(16,902)
Adjustment to tax charge in respect of previous periods - deferred tax	(1,251)	105
Income not taxable for tax purposes	(40,987)	(30,075)
Adjust opening deferred tax to average rate of 19%	16,755	8,250
Amounts transferred directly to Other Comprehensive Income or otherwise transferred	(25,080)	(9,500)
Foreign tax credits	134,835	134,601
Other permanent differences	(6,325)	(213)
Research & development	(32,212)	(36,016)
Total tax charge for the year	<u>487,327</u>	<u>544,801</u>

13. Dividends

	2019 £	2018 £
Interim dividend paid in year of £7.20 (2018 - £8.00) per share	360,000	400,000
Final dividend paid in year of £1.70 (2018 - £6.02) per share	85,000	300,853
	<u>445,000</u>	<u>700,853</u>

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

14. Intangible assets

	Software £
Cost	
At 1 July 2018	30,393
Additions	5,162
Foreign exchange movement	289
At 30 June 2019	<u>35,844</u>
Amortisation	
At 1 July 2018	24,355
Charge for the year	3,226
Foreign exchange movement	264
At 30 June 2019	<u>27,845</u>
Net book value	
At 30 June 2019	<u><u>7,999</u></u>
At 30 June 2018	<u><u>6,038</u></u>

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

15. Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 July 2018	2,439,263	91,916	3,216,764	60,985	5,808,928
Additions	-	1,958	607,649	-	609,607
Disposals	-	-	(58,249)	-	(58,249)
Exchange adjustments	17,894	119	6,072	734	24,819
At 30 June 2019	<u>2,457,157</u>	<u>93,993</u>	<u>3,772,236</u>	<u>61,719</u>	<u>6,385,105</u>
Depreciation					
At 1 July 2018	1,282,976	14,641	1,804,637	9,820	3,112,074
Charge for the year	71,134	18,435	339,037	10,287	438,893
Disposals	-	-	(58,249)	-	(58,249)
Exchange adjustments	9,826	49	3,844	118	13,837
At 30 June 2019	<u>1,363,936</u>	<u>33,125</u>	<u>2,089,269</u>	<u>20,225</u>	<u>3,506,555</u>
Net book value					
At 30 June 2019	<u>1,093,221</u>	<u>60,868</u>	<u>1,682,967</u>	<u>41,494</u>	<u>2,878,550</u>
At 30 June 2018	<u>1,156,287</u>	<u>77,275</u>	<u>1,412,127</u>	<u>51,165</u>	<u>2,696,854</u>

16. Stocks

	2019 £	2018 £
Raw materials and consumables	544,727	463,880
Work in progress (goods to be sold)	52,100	48,569
Finished goods and goods for resale	4,574,685	3,606,952
	<u>5,171,512</u>	<u>4,119,401</u>

Stock recognised in cost of sales during the year as an expense was £19,949,124 (2018 - £17,520,842). Impairment losses recognised/(reversed) through cost of sales were £22,966 (2018 - (£13,596)).

There is no material difference between the replacement cost of stocks and the amounts stated above.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

17. Debtors

	2019 £	2018 £
Trade debtors	5,156,794	4,630,050
Amounts owed by group undertakings	1,411,785	1,544,645
Other debtors	38,405	48,961
Prepayments and accrued income	190,288	139,265
Corporation tax recoverable	622,508	377,450
	<u>7,419,780</u>	<u>6,740,371</u>

All amounts shown under debtors fall due for payment within one year.

18. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>1,186,497</u>	<u>1,560,042</u>

19. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	900,280	1,172,012
Advance payments from customers	-	91,117
Amounts owed to group undertakings	1,507,512	1,322,643
Other taxation and social security	487,745	456,083
Other creditors	280,107	159,796
Accruals and deferred income	438,522	477,855
	<u>3,614,166</u>	<u>3,679,506</u>

Included within other creditors is £26,000 (2018 - £23,871) in respect of unpaid contributions to the company's defined contribution pension scheme.

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

20. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>7,793,481</u>	<u>7,765,671</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,126,421)</u>	<u>(3,223,423)</u>

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed by group undertakings, and other debtors less VAT and Corporation Tax recoverable.

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

21. Deferred taxation

	2019 £
At beginning of year	(143,667)
Charged to profit or loss	(10,010)
At end of year	<u>(153,677)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(236,947)	(184,143)
Short term timing differences	83,270	40,476
	<u>(153,677)</u>	<u>(143,667)</u>

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
50,000 (2018 - 50,000) ordinary shares of £1.00 each	<u>50,000</u>	<u>50,000</u>

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

23. Reserves

Profit and loss account

This reserve records the cumulative distributable reserves of the entity.

24. Contingent liabilities

At the year end, the company has outstanding bank guarantees in favour of its own customers of £63,943 (2018 - £61,855), and £100,000 (2018 - £100,000) in relation to duty deferment in favour of HMRC. There is a group guarantee facility in place with certain other group companies. At the year end the outstanding bank guarantees under this group facility in respect of other group companies totalled £405,225 (2018 - £535,447).

There is a group pooling facility with certain other group companies, which is secured on the company's freehold property and by a cross-guarantee with certain other group companies. In respect of the other group companies under the facility at 30 June 2019 the net position was a positive cash balance of £1,213,406 (2018 - positive balance of £1,480,798).

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

25. Pension commitments

The company operates a Defined benefit pension scheme in the UK.

The Pyrotek Engineering Materials Limited pension scheme is a Trust based Occupational Pension Scheme that is governed by the Trust Deed and Rules dated 19 April 1985. The Scheme's assets are held in a separate Trustee administered fund.

The Scheme closed to future accrual of salary and service related benefits with effect from 1 June 1998.

The last full actuarial valuation of the defined benefit scheme was carried out at 6 April 2016 and updated at 30 June 2019 by a qualified independent actuary on an FRS 102 basis. The major assumptions used by the actuary are shown below.

The most recent actuarial valuation showed a deficit of £348,000. The employer has agreed with the trustees that it will aim to eliminate the deficit over a period of 6 years and 11 months from 6 April 2017 by the payment of monthly contributions of £4,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet all expenses of administration of the plan and all levies including the Pension Protection Fund Levy.

Reconciliation of present value of plan liabilities:

	2019 £	2018 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	2,193,000	2,087,000
Interest cost	60,000	53,000
Actuarial losses	154,000	135,000
Benefits paid	(44,000)	(82,000)
Losses due to benefit charges	159,000	-
At the end of the year	2,522,000	2,193,000

Composition of plan liabilities:

	2019 £	2018 £
Schemes wholly or partly funded	2,522,000	2,193,000

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

25. Pension commitments (continued)

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The trustees of the plan will need to obtain legal advice covering the impact of the ruling on this plan, before deciding with the employer on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

The benefit obligations have been adjusted assuming the following:

- The minimum allowable method will be applied to past and future benefit payments
- There will be no limit on the "look-back" period for rectification
- No allowance for members who no longer have GMP liabilities within the scheme (members who have died without a spouse and members who have transferred out for example).

The allowance has been estimated based on average impacts for plans with similar service periods and benefit structures.

Reconciliation of present value of plan assets:

	2019 £	2018 £
At the beginning of the year	1,966,000	1,843,000
Actuarial gains	22,000	85,000
Interest income	52,000	48,000
Contributions	48,000	72,000
Benefits paid	(44,000)	(82,000)
At the end of the year	2,044,000	1,966,000

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

25. Pension commitments (continued)

The actual return on the plan assets over the period ended 30 June 2019 was £74,000.

Composition of plan assets:

	2019 £	2018 £
Equities (including property)	1,589,000	1,558,000
Bonds (gilts)	320,000	257,698
Corporate bonds	-	47,302
Cash	135,000	103,000
Total plan assets	2,044,000	1,966,000

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

	2019 £	2018 £
Fair value of plan assets	2,044,000	1,966,000
Present value of plan liabilities	(2,522,000)	(2,193,000)
Net pension scheme liability	(478,000)	(227,000)

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

25. Pension commitments (continued)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2019 £	2018 £
Interest on obligation	(8,000)	(5,000)
Total	(8,000)	(5,000)

In addition, £159,000 has been charged to administrative expenses due to benefit changes.

The company expects to contribute £48,000 to its Defined benefit pension scheme in 2020.

	2019 £	2018 £
Analysis of actuarial loss recognised in Other Comprehensive Income		
Return on plan assets (excluding amounts included in net interest cost) - gain (loss)	22,000	85,000
Experience gains and (losses) arising on the scheme liabilities	(1,000)	(183,000)
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - (loss)/gain	(153,000)	48,000
	(132,000)	(50,000)

Experience gains and (losses) arising on the scheme liabilities includes £Nil (2018 - £176,000) in respect of a reinstatement of member benefits.

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	2.24	2.65
Future pension increase	2.28	2.2
Inflation assumption (RPI)	3.25	3.15
Inflation assumption (CPI)	2.25	2.15
Deferred pension revaluation (CPI 5% cap)	2.25	2.15

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

25. Pension commitments (continued)

Mortality assumptions - Assuming retirement age is 65, the life expectancies in years are as follows:

	2019	2018
For a male aged 65 now	20.6	20.7
At 65 for a male member aged 45 now	21.6	21.8
For a female aged 65 now	22.4	22.6
At 65 for a female member aged 45 now	23.7	23.9

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

Defined benefit pension schemes

	2019 £	2018 £	2017 £	2016 £	2015 £
Present value of the plan liabilities	(2,522,000)	(2,193,000)	(2,087,000)	(2,106,000)	(1,777,000)
Fair value of the plan assets	2,044,000	1,966,000	1,843,000	1,654,000	1,536,000
Surplus	(478,000)	(227,000)	(244,000)	(452,000)	(241,000)

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £99,956 (2018 - £126,157).

26. Commitments under operating leases

At 30 June 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	362,389	354,292
Later than 1 year and not later than 5 years	712,228	761,652
Later than 5 years	180,943	123,169
	1,255,560	1,239,113

Pyrotek Engineering Materials Limited

Notes to the financial statements For the year ended 30 June 2019

27. Related party transactions

Loans and transactions concerning directors and officers of the company

Included within other debtors is £2,000 (2018 - £3,097) which is due from a director of the company. This loan is non interest bearing and the maximum amount outstanding during the year was £2,000 (2018 - £3,097).

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £834,205 (2018 - £1,028,228).

28. Controlling party

At 30 June 2019, the ultimate parent company and ultimate controlling party was Pyrotek Inc, which is incorporated in the state of Washington, United States of America. Pyrotek Inc is the parent undertaking of both the smallest and largest groups for which groups accounts are drawn up. The registered office of Pyrotek Inc is 705 West 1st Avenue, Spokane, WA 99201 – 3909, USA.