

Pyrotek Engineering Materials Limited

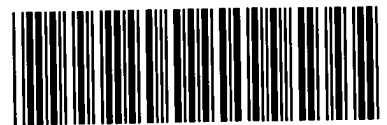
Annual Report and Financial Statements

Year Ended

30 June 2018

Company Number 00269400

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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 auditors	BDO LLP Mortlock House Station Road Impington Cambridge CB24 9NP

Pyrotek Engineering Materials Limited

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12 - 13
Notes to the Financial Statements	14 - 36

Pyrotek Engineering Materials Limited

Strategic Report For the Year Ended 30 June 2018

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2018.

Principal activities, review of business and future developments

Pyrotek is a leading international company supplying to the aluminium, foundry, glass, zinc, steel and noise control 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 family and has branches in Germany, Italy and Spain as well as the primary location in Milton Keynes. Milton Keynes is also the machining centre for Europe and sells internationally to other Pyrotek locations.

Turnover for the year is £26.1m (2017 - £25.8m) with a final profit for the year after taxation of £1,960,630 (2017 - £2,183,433) and total comprehensive income for the year was £1,956,697 (2017 - £2,712,439).

Exchange rate has had an impact on this when converted into GBP – the estimated exchange rate impact for the year is a loss of £15k.

Aluminium

Demand for aluminium remains very strong and our customers are performing well, with full order books and investing. This has helped contribute to a year of steady growth in aluminium sales.

Despite this comment, we can see that sales have dropped significantly in Germany. In FY2017 we completed a significant amount of refractory installation work at Novelis in Nachterstadt in Germany and this work was not repeated in FY2018. We have in recent months successfully bid on some of his work for FY2019. This is important as one of the more significant investments Pyrotek has made in the last 2 years is to establish a branch in Aschersleben very close to this Novelis plant. The Novelis plant is the largest recycling plant in the world converting more than 500,000 tonnes of beverage cans per year into automotive sheet and can stock.

Foundry

The non-ferrous foundry market is closely tied to automotive vehicle manufacturing volumes. Sales in both Italy and Germany have been hit by the decreased numbers of diesel vehicles manufactured. This has to some extent been counteracted by increased sales of other products and the expansion of foundries in Spain and the UK.

Glass

It has been a fairly flat year for glass. Some wins in refractories have been offset with losses in other products and in particular the Vespel product (that we distribute for DuPont) is under market pressure. We have added an additional 2 sales people to the glass team in the year, one in Germany and the other in the UK in an attempt to improve our penetration in the glass industry.

Manufactured parts

Inter Pyrotek sales for the FY have increased significantly for machined parts. We have plans in place to continue to strategically target business for these parts with the aim of increasing our market share and the Milton Keynes factory throughput significantly.

In general we are very upbeat about sales in the next FY seeing many opportunities for growth and in particular the investments Pyrotek has made in both CRM and equipment manufacturing look to pay dividends in the next few years.

Pyrotek Engineering Materials Limited

Strategic Report (continued) For the Year Ended 30 June 2018

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 in GBP and in other entities 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 a 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):

	2018 £	2017 £	Change %
Turnover	26,084	25,798	1
Operating profit	2,494	3,038	(18)
Profit after taxation	1,961	2,183	(11)
Average head count (number)	101	96	5
Staff costs	6,294	5,681	11
Inventory	4,119	3,961	4

Pyrotek Engineering Materials Limited

Strategic Report (continued) For the Year Ended 30 June 2018

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 £1,343,000 (2017 - £1,271,000).

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.



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A S Hollis
Director

Date: 11 September 2018

Pyrotek Engineering Materials Limited

Directors' Report For the Year Ended 30 June 2018

The Directors present their report and the financial statements for the year ended 30 June 2018.

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 and dividends

The profit for the year, after taxation, amounted to £1,960,630 (2017 - £2,183,433).

Directors

The Directors who served during the year were:

S F Ray (appointed 23 April 2018)
A G Roy
A S Hollis
M Loose (resigned 23 April 2018)
M Vincent
G Albers

Disclosure of information to auditors

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

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

Pyrotek Engineering Materials Limited

Directors' Report (continued) For the Year Ended 30 June 2018

Post balance sheet 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.

Auditors

The auditors, 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.


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A S Hollis
Director

Date: 11 September 2018

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 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes In Equity, the Statement of Cash Flows and 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 2018 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 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 misstatement in the Strategic Report and Directors' Report.

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

- adequate accounting records have not been kept, 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 determines 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 descriptions 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 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.

BDO LLP

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

12 September 2018

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 2018

	Note	2018 £	2017 £
Turnover	4	26,083,504	25,797,590
Cost of sales		(17,520,842)	(17,285,191)
Gross profit		8,562,662	8,512,399
Distribution costs		(6,373,273)	(5,304,397)
Administrative expenses		(3,606,589)	(3,429,950)
Other operating income	5	3,911,107	3,259,964
Operating profit	6	2,493,907	3,038,016
Interest receivable and similar income	9	23,465	12,717
Interest payable and expenses	10	(6,941)	(3,326)
Other finance income		(5,000)	(12,000)
Profit before tax		2,505,431	3,035,407
Tax on profit	12	(544,801)	(851,974)
Profit for the financial year		1,960,630	2,183,433
Other comprehensive income for the year			
Currency translation differences		46,067	357,006
Actuarial gains/(losses) on defined benefit pension scheme		(50,000)	172,000
Other comprehensive income for the year		(3,933)	529,006
Total comprehensive income for the year		1,956,697	2,712,439

The notes on pages 14 to 36 form part of these financial statements.

Pyrotek Engineering Materials Limited

Registered number: 00269400

Statement of Financial Position As at 30 June 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	6,038	3,990
Tangible assets	15	2,696,854	2,215,639
		<u>2,702,892</u>	<u>2,219,629</u>
Current assets			
Stocks	16	4,119,401	3,961,634
Debtors: amounts falling due within one year	17	6,740,371	5,886,627
Cash at bank and in hand	18	1,560,042	1,334,183
		<u>12,419,814</u>	<u>11,182,444</u>
Creditors: amounts falling due within one year	19	(3,679,506)	(3,271,392)
Net current assets		<u>8,740,308</u>	<u>7,911,052</u>
Total assets less current liabilities		<u>11,443,200</u>	<u>10,130,681</u>
Provisions for liabilities			
Deferred tax	21	(143,667)	(70,023)
		<u>(143,667)</u>	<u>(70,023)</u>
Pension liability		<u>(227,000)</u>	<u>(244,000)</u>
Net assets		<u><u>11,072,533</u></u>	<u><u>9,816,658</u></u>
Capital and reserves			
Called up share capital	22	50,000	50,000
Profit and loss account	23	11,022,533	9,766,658
		<u><u>11,072,533</u></u>	<u><u>9,816,658</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: 11 September 2018

The notes on pages 14 to 36 form part of these financial statements.

Pyrotek Engineering Materials Limited

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

Statement of Changes in Equity For the Year Ended 30 June 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2016	50,000	7,704,219	7,754,219
Comprehensive income for the year			
Profit for the year	-	2,183,433	2,183,433
Currency translation differences	-	357,006	357,006
Actuarial gains on pension scheme	-	172,000	172,000
Total comprehensive income for the year	-	2,712,439	2,712,439
Dividends: Equity capital	-	(650,000)	(650,000)
Total transactions with owners	-	(650,000)	(650,000)
At 30 June 2017	50,000	9,766,658	9,816,658

The notes on pages 14 to 36 form part of these financial statements.

Pyrotek Engineering Materials Limited

Statement of Cash Flows For the Year Ended 30 June 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,960,630	2,183,433
Adjustments for:		
Amortisation of intangible assets	4,585	1,526
Depreciation of tangible assets	380,876	280,387
Profit on disposal of tangible assets	(7,461)	(6,031)
Interest paid	6,191	3,326
Interest received	(22,715)	(12,717)
Taxation charge	544,801	851,974
Increase in stocks	(134,688)	(692,955)
(Increase) in debtors	(436,465)	(108,665)
Increase/(decrease) in creditors	728,078	(97,018)
Difference between net pension expense and cash contribution	(67,000)	(36,000)
Corporation tax paid	(1,190,656)	(521,457)
Foreign exchange	(7,416)	30,769
Net cash generated from operating activities	1,758,760	1,876,572
Cash flows from investing activities		
Purchase of intangible fixed assets	(6,454)	-
Purchase of tangible fixed assets	(857,394)	(602,653)
Sale of tangible fixed assets	9,818	6,031
Interest received	22,715	12,717
Net cash from investing activities	(831,315)	(583,905)

Pyrotek Engineering Materials Limited

Statement of Cash Flows (continued) For the Year Ended 30 June 2018

	2018 £	2017 £
Cash flows from financing activities		
Dividends paid	(700,853)	(650,000)
Interest paid	(6,191)	(3,326)
Interest paid on corporation tax	-	(264)
Net cash used in financing activities	(707,044)	(653,590)
Net increase in cash and cash equivalents	220,401	639,077
Cash and cash equivalents at beginning of year	1,334,183	667,414
Foreign exchange gains and losses	5,458	27,692
Cash and cash equivalents at the end of year	1,560,042	1,334,183
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,560,042	1,334,183
	1,560,042	1,334,183

The notes on pages 14 to 36 form part of these financial statements.

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

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 2018

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 lessor

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 2018

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 2018

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 2018

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The company's presentational currency is GBP (£).

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.

Items included in the financial statements of each of the company's branches are measured using the currency of the primary economic environment in which the entity operates ('the functional currency of that branch'). 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 Income Statement 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 Income Statement 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

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 2018

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 2018

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% (2017: 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%).

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 2018

4. Analysis of turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	2,197,357	1,897,089
Europe	22,522,273	22,723,636
Rest of the world	1,363,874	1,176,865
	<u>26,083,504</u>	<u>25,797,590</u>

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

5. Other operating income

	2018 £	2017 £
Commission and royalty income	335,954	41,895
Group recharges	3,570,593	3,213,298
Other expenses	(2,906)	(1,260)
Profit on disposal of tangible assets	7,466	6,031
	<u>3,911,107</u>	<u>3,259,964</u>

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Research & development charged as an expense	792,296	629,819
Amortisation of intangible fixed assets	4,437	1,525
Depreciation of tangible fixed assets	380,876	280,387
Profit on disposal of tangible fixed assets	7,466	6,031
Operating lease expense	251,044	185,969
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	31,215	29,895
Exchange differences	<u>14,633</u>	<u>(37,695)</u>

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

7. Employees

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

	2018 £	2017 £
Wages and salaries	5,292,296	4,770,374
Social security costs	875,469	788,287
Cost of defined contribution scheme	126,157	122,569
	<u>6,293,922</u>	<u>5,681,230</u>

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

	2018 No.	2017 No.
Production	31	28
Management and administration	21	20
Sales	49	48
	<u>101</u>	<u>96</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	949,948	566,955
Company contributions to defined contribution pension schemes	24,915	21,051
	<u>974,863</u>	<u>588,006</u>

During the year retirement benefits were accruing to 4 Directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £417,292 (2017 - £196,578).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £7,193 (2017 - £6,907).

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

9. Interest receivable

	2018 £	2017 £
Loans to group companies	16,065	11,975
Other interest receivable	7,400	742
	<u>23,465</u>	<u>12,717</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	311	504
Loans from group undertakings	6,630	2,822
	<u>6,941</u>	<u>3,326</u>

11. Other finance costs

	2018 £	2017 £
Net interest on net defined benefit liability	5,000	12,000
	<u>5,000</u>	<u>12,000</u>

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	333,764	518,339
Adjustments in respect of previous periods	12,042	(22,203)
	<u>345,806</u>	<u>496,136</u>
Double taxation relief	(343,033)	(459,126)
	<u>2,773</u>	<u>37,010</u>
Foreign tax		
Foreign tax on income for the year	477,633	730,796
Foreign tax in respect of prior periods	(9,249)	10,229
	<u>468,384</u>	<u>741,025</u>
Total current tax	<u>471,157</u>	<u>778,035</u>
Deferred tax		
Origination and reversal of timing differences	73,539	73,203
Adjustments in respect of prior periods	105	549
Effect of tax rate change on opening balance	-	187
Total deferred tax	<u>73,644</u>	<u>73,939</u>
Taxation on profit on ordinary activities	<u>544,801</u>	<u>851,974</u>

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	2,505,431	3,035,408
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.75%)	476,585	599,514
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	851	2,920
Fixed asset differences	14,323	15,213
Adjustments to tax charge in respect of prior periods	2,792	(11,974)
Adjust closing deferred tax to average rate of 19.75%	(16,902)	(11,330)
Adjustment to tax charge in respect of previous periods - deferred tax	105	549
Income not taxable for tax purposes	(30,075)	(9,473)
Adjust opening deferred tax to average rate of 19.75%	8,250	(327)
Other tax adjustments, reliefs and transfers	-	(121)
Amounts transferred directly to Statement of Comprehensive Income or otherwise transferred	(9,500)	33,971
Foreign tax credits	134,601	271,670
Other permanent differences	(213)	(656)
Research & development	(36,016)	(37,982)
Total tax charge for the year	544,801	851,974

13. Dividends

	2018 £	2017 £
Interim dividend paid in year of £8.00 (2017 - £13.00) per share	400,000	650,000
Final dividend paid in year of £6.02 (2017 - £Nil) per share	300,853	-

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

14. Intangible assets

	Software £
Cost	
At 1 July 2017	23,760
Additions	6,454
Foreign exchange movement	179
At 30 June 2018	<u>30,393</u>
Amortisation	
At 1 July 2017	19,770
Charge for the year	4,436
Foreign exchange movement	149
At 30 June 2018	<u>24,355</u>
Net book value	
At 30 June 2018	<u><u>6,038</u></u>
At 30 June 2017	<u><u>3,990</u></u>

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

15. Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 July 2017	2,428,135	6,554	2,726,114	49,321	5,210,124
Additions	-	54,573	791,529	11,292	857,394
Disposals	-	-	(273,572)	-	(273,572)
Transfers between classes	-	30,740	(30,740)	-	-
Exchange adjustments	11,128	49	3,433	372	14,982
At 30 June 2018	2,439,263	91,916	3,216,764	60,985	5,808,928
Depreciation					
At 1 July 2017	1,206,712	3,226	1,783,177	1,370	2,994,485
Charge for the year on owned assets	70,531	9,853	292,052	8,440	380,876
Disposals	-	-	(271,215)	-	(271,215)
Transfers between classes	-	1,537	(1,537)	-	-
Exchange adjustments	5,733	25	2,160	10	7,928
At 30 June 2018	1,282,976	14,641	1,804,637	9,820	3,112,074
Net book value					
At 30 June 2018	1,156,287	77,275	1,412,127	51,165	2,696,854
At 30 June 2017	1,221,423	3,328	942,937	47,951	2,215,639

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

16. Stocks

	2018 £	2017 £
Raw materials and consumables	463,880	558,133
Work in progress (goods to be sold)	48,569	84,455
Finished goods and goods for resale	3,606,952	3,319,046
	<u>4,119,401</u>	<u>3,961,634</u>

Stock recognised in cost of sales during the year as an expense was £17,520,842 (2017 - £17,285,191). Impairment losses recognised / (reversed) through cost of sales were (£13,596) (2017 - (£13,083)).

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

17. Debtors

	2018 £	2017 £
Trade debtors	4,630,050	4,420,763
Amounts owed by group undertakings	1,544,645	1,254,014
Other debtors	48,961	59,603
Prepayments and accrued income	139,265	152,247
Corporation tax recoverable	377,450	-
	<u>6,740,371</u>	<u>5,886,627</u>

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

18. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,560,042</u>	<u>1,334,183</u>

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

19. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,172,012	866,750
Advance payments from customers	91,117	9,154
Amounts owed to group undertakings	1,322,643	941,163
Corporation tax	-	340,187
Other taxation and social security	456,083	398,971
Other creditors	159,796	190,277
Accruals and deferred income	477,855	524,890
	<u>3,679,506</u>	<u>3,271,392</u>

Included within other creditors is £23,871 (2017 - £23,427) in respect of unpaid contributions to the company's defined contribution pension scheme.

20. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>7,765,671</u>	<u>7,068,563</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,223,423)</u>	<u>(2,535,234)</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

	2018 £
At beginning of year	(70,023)
Charged to profit or loss	(73,644)
At end of year	<u><u>(143,667)</u></u>

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

21. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(184,143)	(113,085)
Short term timing differences	40,476	43,062
	<u>(143,667)</u>	<u>(70,023)</u>

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

23. Reserves

Profit and loss account

This reserve records the cumulative distributable reserves of the entity.

24. Contingent liabilities

At the balance sheet date the company has outstanding bank guarantees in favour of its own customers of £61,855 (2017 - £62,278), and £100,000 (2017 - £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 £535,447 (2017 - £578,204).

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. The total liabilities of the other group companies under this facility at 30 June 2018 was £628,710 (2017: £285,708), and the group's net position across the facility as a whole was a positive cash balance of £1,480,798 (2017: £2,145,259).

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

25. Pension commitments

The company operated a Defined Benefit Pension Scheme.

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 2018 by a qualified independent actuary on an FRS 102 basis.

Reconciliation of present value of plan liabilities:

	2018 £	2017 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	2,087,000	2,106,000
Interest cost	53,000	59,000
Actuarial losses	135,000	34,000
Benefits paid	(82,000)	(112,000)
At the end of the year	2,193,000	2,087,000

Actuarial losses includes £176,000 in respect of a reinstatement of member benefits.

Composition of plan liabilities:

	2018 £	2017 £
Schemes wholly or partly funded	2,193,000	2,087,000

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

25. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2018 £	2017 £
At the beginning of the year	1,843,000	1,654,000
Actuarial gains	85,000	206,000
Interest income	48,000	47,000
Contributions	72,000	48,000
Benefits paid	(82,000)	(112,000)
At the end of the year	1,966,000	1,843,000

The actual return on the plan assets over the period ended 30 June 2018 was £133,000.

Composition of plan assets:

	2018 £	2017 £
Equities (including property)	1,558,000	1,546,000
Bonds (gilts)	257,698	157,000
Corporate bonds	47,302	44,000
Cash	103,000	96,000
Total plan assets	1,966,000	1,843,000

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.

	2018 £	2017 £
Fair value of plan assets	1,966,000	1,843,000
Present value of plan liabilities	(2,193,000)	(2,087,000)
Net pension scheme liability	(227,000)	(244,000)

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

25. Pension commitments (continued)

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

	2018 £	2017 £
Interest on obligation	(5,000)	(12,000)
Total	(5,000)	(12,000)

The company expects to contribute £48,000 to its Defined Benefit Pension Scheme in 2019.

	2018 £	2017 £
Analysis of actuarial loss recognised in Other Comprehensive Income		
Return on plan assets (excluding amounts included in net interest cost) - gain (loss)	85,000	206,000
Experience gains and (losses) arising on the scheme liabilities	(183,000)	7,000
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain (loss)	48,000	(41,000)
	(50,000)	172,000

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

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

	2018 %	2017 %
Discount rate	2.65	2.6
Future pension increase	2.2	2.2
Inflation assumption (RPI)	3.15	3.2
Inflation assumption (CPI)	2.15	2.2
Deferred pension revaluation (CPI 5% cap)	2.15	2.2

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

25. Pension commitments (continued)

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

	at 30 June 2018	at 30 June 2017
For a male aged 65 now	20.7	20.9
At 65 for a male member aged 45 now	21.8	22.2
For a female aged 65 now	22.6	22.9
At 65 for a female member aged 45 now	23.9	24.4

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

Defined benefit pension schemes

	2018 £	2017 £	2016 £	2015 £	2014 £
Present value of the plan liabilities	(2,193,000)	(2,087,000)	(2,106,000)	(1,777,000)	(1,640,000)
Fair value of the plan assets	1,966,000	1,843,000	1,654,000	1,536,000	1,388,000
Surplus	(227,000)	(244,000)	(452,000)	(241,000)	(252,000)

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 £126,157 (2017 - £122,569).

26. Commitments under operating leases

At 30 June 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	354,292	277,102
Later than 1 year and not later than 5 years	761,652	574,992
Later than 5 years	123,169	15,017
	1,239,113	867,111

Pyrotek Engineering Materials Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

27. Related party transactions

Loans and transactions concerning directors and officers of the company

Included within other debtors is £3,097 (2017 - £3,074) which is due from a director of the company. This loan is non interest bearing and the maximum amount outstanding during the year was £3,097 (2017 - £3,074).

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 £1,028,228 (2017 - £745,353).

28. Controlling party

At 30 June 2018, 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.