

G T Culpitt & Son (Holdings) Limited
Consolidated annual report and financial statements
for the year ended 31 December 2016

Registered number: 2230866



G T Culpitt & Son (Holdings) Limited
Consolidated annual report and financial statements
for the year ended 31 December 2016
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G T Culpitt & Son (Holdings) Limited

Directors and advisers for the year ended 31 December 2016

Directors

M McGlynn

J Anderson

S Keogh

Company secretary and registered office

D George

Jubilee Industrial Estate

Ashington

Northumberland

NE63 8UQ

Bankers

National Westminster Bank Plc

4 Bridge Street

Morpeth

Northumberland

NE61 1NG

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

G T Culpitt & Son (Holdings) Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report on the group and company for the year ended 31 December 2016.

Business review and future developments

Trading conditions in the UK and worldwide remained challenging during the year, sales through our retail sector and business to consumer sectors declined but were offset through growth of our export sector. Overall sales increased by 1% year on year. The company continues to offer innovative products and an industry leading delivery and service proposition and despite the ongoing challenging economic conditions the company has continued to meet the changing needs of its customer base.

The impact of Brexit was significant during 2016 with the deterioration in exchange rates.

The company continues to be aware of and manages changes in regulation for its business activities, particularly around natural food colours, additives and toy regulations.

The variety in the company's customer base and its product offerings continue to expand further diluting risk. The company has demonstrated, once again, that it can respond to the many, varied challenges presented by its markets.

Steps have already been taken to reduce overheads. By maintaining the core competencies of the business there is every reason to believe that the company can build on the foundations established.

Strategy

The company's aim is to achieve moderate revenue growth in 2017 and maximise the efficiencies within its operations.

The key elements for the company's strategy for growth are:

Broad Product Range

Offering a full product range of both Culpitt and tertiary branded product to meet customer needs and requirements.

Industry standard delivery and service proposition.

Ensuring we minimise the time between order and fulfilment, to deliver on time and in full.

Employee training and development

The company's investment in training provides and maintains its status as a market leader.

Key Performance indicators (KPI's)

The board monitors progress against the overall company strategy by reference to a number of KPI's including:

	2016	2015	
Sales growth %	1%	10.8%	Year on year sales growth expressed as a percentage
Operating profit %	5.6%	7.9%	Operating profit expressed as a percentage of sales
Employee Turnover	1.25%	1.38%	Number of employees in the year Leaving to seek alternative employment expressed as a %age of the average workforce in the year.

G T Culpitt & Son (Holdings) Limited

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties

The management of the company and the execution of the company's strategy are subject to a number of risks. The key risks affecting the company are considered to relate to the impact of legislation, competition, freight pricing, exchange rates and the global politic-economic environment.

Signed on behalf of the board of directors

A handwritten signature in black ink, appearing to read 'S Keogh', written over a light blue horizontal line.

S Keogh

Director

9th August 2017

G T Culpitt & Son (Holdings) Limited

Directors' report for the year ended 31 December 2016

The directors present their report and the audited consolidated financial statements of the group for the year ended 31 December 2016.

Results and dividends

The profit for the financial year amounted to £989,853 (2015: £1,475,369). The directors have not recommended a dividend (2015: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

M McGlynn
J Anderson
S Keogh

Principal activities and business review

The group's principle activity during the year was the manufacture and sale of edible and non edible food and cake decorations. The company was incorporated in the United Kingdom. The business review and future developments have been included within the strategic report on page 2.

Research and Development

The group continues to develop both product and process within the group. We continue to be focused on the changes within our market place and the challenges this brings. Research and development expenditure is written off in the year in which it is incurred.

Employees

The group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of group working, team briefings and working parties.

The group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees.

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next board meeting.

Key performance indicators

The group continues to measure a wide range of key performance indicators across all of its business activities, in particular sales turnover, operating profit and employee turnover are key metrics on the success of the business (as shown on page 2).

G T Culpitt & Son (Holdings) Limited

Directors' report for the year ended 31 December 2016 (continued)

Financial risk management objectives and policies

The group manages its credit risk through credit checking potential customers and careful monitoring of its debtor ageing. The group has no significant concentration of credit risk given its diverse customer base. Liquidity risk is managed through funding provided by the Group's parent company and through cash generated from its operations.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

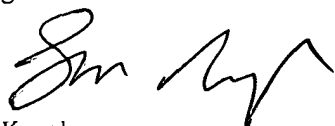
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors confirm that as far as they are aware, there is no relevant audit information of which the company's and the group's auditors are unaware and that they have taken all steps necessary as directors in order to make themselves aware of any relevant audit information and to establish that the company's and the group's auditors are aware of that information.

Signed on behalf of the Board of directors



S Keogh

Director

9th August 2017

G T Culpitt & Son (Holdings) Limited

Independent auditors' report to the members of G T Culpitt & Son (Holdings) Limited

Report on the financial statements

Our opinion

In our opinion, G T Culpitt & Son (Holdings) Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit and cash flows 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.
-

What we have audited

The financial statements, included within the Consolidated Annual Report, comprise:

- the consolidated and parent company balance sheets as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated and company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

G T Culpitt & Son (Holdings) Limited

Independent auditors' report to the members of G T Culpitt & Son (Holdings) Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

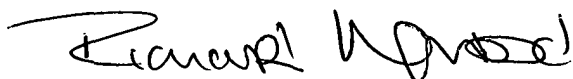
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether these reports include the disclosures required by applicable legal requirements.



Richard Lingwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
9th August 2017

G T Culpitt & Son (Holdings) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2016

		2016	2015
	Note	£	£
Turnover	5	24,866,525	24,616,238
Turnover from continuing operations		24,866,525	22,729,789
Turnover from acquisitions		-	1,886,449
Cost of sales		(17,493,483)	(16,694,229)
Gross profit		7,373,042	7,922,009
Distribution costs		(3,091,113)	(3,068,695)
Administrative expenses		(2,896,659)	(2,846,680)
Operating profit	6	1,385,270	2,006,634
Attributable to continuing operations		1,385,270	2,337,694
Attributable to acquisitions		-	(331,060)
Interest receivable and similar income		6,280	712
Interest payable and similar expenses		(40,812)	(42,079)
Net interest expense	8	(34,532)	(41,367)
Profit on ordinary activities before taxation		1,350,738	1,965,267
Tax on profit on ordinary activities	9	(360,885)	(489,898)
Profit for the financial year		989,853	1,475,369
Other comprehensive income		1,804	1,804
Total comprehensive income for the year		991,657	1,477,173

G T Culpitt & Son (Holdings) Limited

Consolidated balance sheet as at 31 December 2016

		As at 31 December	
		2016	2015
	Note	£	£
Fixed assets			
Intangible assets	11	1,553,585	1,982,272
Tangible assets	12	9,847,418	9,833,513
		11,401,003	11,815,785
Current assets			
Inventories	14	3,759,103	3,624,509
Debtors	15	3,016,623	3,048,885
Cash at bank and in hand		725,696	1,688,346
		7,501,422	8,361,740
Creditors: amounts falling due within one year	16	(2,225,710)	(3,017,872)
Net current assets		5,275,712	5,343,868
Total assets less current liabilities		16,676,715	17,159,653
Creditors: amounts falling due after more than one year	17	(2,141,556)	(3,614,357)
Net assets		14,535,149	13,545,296
Capital and reserves			
Called up share capital	22	22,500	22,500
Revaluation reserve		38,287	40,091
Capital redemption reserve		101,812	101,812
Retained earnings		14,372,550	13,380,893
Total equity		14,535,149	13,545,296

The notes on page 14 to 34 are an integral part of these financial statements.

The financial statements on pages 8 to 34 were authorised for issue by the board of directors on 9th August 2017 and were signed on its behalf by:


 Simon Keogh
 Finance Director

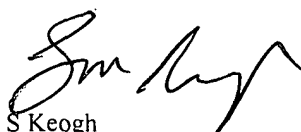
GT Culpitt & Son (Holdings) Limited
 Registered number: 2230866

G T Culpitt & Son (Holdings) Limited

Parent company balance sheet as at 31 December 2016

		As at 31 December	
		2016	2015
	Note	£	£
Fixed assets			
Investments	13	830,512	830,512
Current assets			
Debtors	15	85	85
Creditors: amounts falling due within one year	16	(212,058)	(212,058)
Net current liabilities		(211,973)	(211,973)
Total assets less current liabilities		618,539	618,539
Net assets		618,539	618,539
Capital and reserves			
Called up share capital	22	22,500	22,500
Retained earnings			
At 1 January		596,039	596,039
Result for the financial year		-	-
		596,039	596,039
Total equity		618,539	618,539

The financial statements on pages 8 to 34 were approved by the Board of directors on 9th August 2017 and were signed on its behalf by:


 S Keogh
 Director

G T Culpitt & Son (Holdings) Limited

Consolidated statement of changes in equity for the year ended 31 December 2016

	Called-up share capital	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
	£	£	£	£	£
Balance as at 1 January 2015	22,500	41,895	101,812	11,903,720	12,069,927
Profit for the year	-	-	-	1,475,369	1,475,369
Other comprehensive income	-	(1,804)	-	1,804	-
Total comprehensive income	-	(1,804)	-	1,477,173	1,475,369
Balance as at 31 December 2015	22,500	40,091	101,812	13,380,893	13,545,296
Balance as at 1 January 2016	22,500	40,091	101,812	13,380,893	13,545,296
Profit for the year	-	-	-	989,853	989,853
Other comprehensive income	-	(1,804)	-	1,804	-
Total comprehensive income	-	(1,804)	-	991,657	989,853
Balance as at 31 December 2016	22,500	38,287	101,812	14,372,550	14,535,149

G T Culpitt & Son (Holdings) Limited

Company statement of changes in equity for the year ended 31 December 2016

	Called-up share capital	Retained earnings	Total
	£	£	£
Balance as at 1 January 2015	22,500	596,039	618,539
Result for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 December 2015	22,500	596,039	618,539
Balance as at 1 January 2016	22,500	596,039	618,539
Result for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 December 2016	22,500	596,039	618,539

G T Culpitt & Son (Holdings) Limited

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 £	2015 £
Net cash inflow from operating activities	23	1,772,986	3,550,226
Taxation paid		(438,960)	(309,959)
Net cash generated from operating activities		1,334,026	3,240,267
Cash flows from investing activities:			
Acquisitions		-	(2,050,892)
Purchase of tangible assets		(775,323)	(1,463,688)
Receipts from the sale of fixed assets		28,714	-
Interest received	8	6,280	712
Net cash used in investing activities		(740,329)	(3,513,868)
Cash flows from financing activities:			
Interest paid	8	(40,812)	(42,079)
Grants received		-	97,500
Repayment of amounts owed to group undertakings		(1,515,535)	1,316,508
Net cash (used in)/generated from financing activities		(1,556,347)	1,371,929
Net (decrease)/increase in cash and cash equivalents		(962,650)	1,098,328
Cash and cash equivalents at beginning of the year		1,688,346	590,018
Cash and cash equivalents at the end of the year		725,696	1,688,346
Cash and cash equivalents consists of:			
		£	£
Cash at bank and in hand		725,696	1,688,346
Cash and cash equivalents		725,696	1,688,346

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements

1 General information

The Group manufactures and sells edible and non edible food and cake decorations. The company is incorporated in England, limited by shares and domiciled in the UK. The address of its registered office is Jubilee Industrial Estate, Ashington, Northumberland, NE63 8UQ.

2 Statement of compliance

The individual and consolidated financial statements of G T Culpitt & Son (Holdings) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

Basis of preparation

These financial statements are prepared consistently on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. The results of companies acquired or disposed of are included in the consolidated statement of comprehensive income after or up to the date that control passes respectively. As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. Uniform accounting policies are adopted across the group and all intra group transactions are eliminated. On acquisition of a subsidiary its assets and liabilities are recorded at their fair values as at the date of acquisition under acquisition accounting.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Foreign currency

(i) **Functional and presentation currency**

The Group and company's functional and presentation currency is the pound sterling.

(ii) **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 terms 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 (expense)/income'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other operating (losses)/gains'.

Revenue recognition

The turnover shown in the statement of comprehensive income represents amounts receivable during the year, exclusive of Value Added Tax, from the sale of edible and non edible food and cake decorations. Turnover is recognised at the point that risks and rewards of ownership of the goods are transferred to the customer, which tends to be on dispatch of goods.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) **Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expenses in the period in which the service is received.

(ii) **Defined contribution pension plans**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) **Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) **Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Research and development

Research and development expenditure is written off in the statement of comprehensive income in the period in which it is incurred.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separate net assets

The Group evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the statement of comprehensive income.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the estimated useful economic life of that asset as follows:

Goodwill acquired prior to 2015	-	20 years
Goodwill acquired post 2015	-	5 years

Intangible assets

Intangible assets relate to a customer list and is being amortised over 20 years. All intangible fixed assets are renewed for impairment when there are indications that carrying value may not be fully recoverable, in which case any excess is written off to statement of comprehensive income.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

(i) **Land and buildings**

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

(ii) **Plant and machinery and fixtures, fittings, tools and equipment**

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) **Depreciation and residual values**

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold property	-	39 years
Plant and machinery	-	3 – 7 years
Fixtures and fittings	-	5 – 7 years
Motor vehicles	-	5 years

No depreciation is charged on assets in the course of construction until the assets are brought into use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Investments

Investments in subsidiary companies are held at historical cost less accumulated impairment losses.

Inventories

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first out (FIFO) method. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

- | | |
|----------------------------|---|
| Raw materials | - standard purchase cost |
| Manufactured raw materials | - standard cost of direct materials and labour plus attributable overheads and finished goods |

Standard costs are established at the start of the year by the directors based on all available evidence

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

Work in progress

Work in progress is stated at the lower of standard cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Standard costs are established at the start of the year by the directors based on all available evidence.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(iii) **Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements 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 to liability simultaneously.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the statement of comprehensive income over the estimated useful life of the assets to which they relate.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The company has taken advantage of the exemption under Section 33.1A of FRS102 from disclosing transactions with other group companies on grounds that it is a wholly owned subsidiary of a group headed by G T Culpitt & Sons Limited which are publicly available.

4 Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

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

(i) **Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary. See note 12 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(ii) **Inventory provisioning**

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

(iii) **Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2016	2015
	£	£
United Kingdom	18,908,567	19,332,837
Rest of Europe	3,701,995	3,697,744
Rest of the World	2,255,963	1,585,657
	24,866,525	24,616,238

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

6 Operating profit

Operating profit is stated after charging/(crediting):

	2015	2014
	£	£
Profit on disposal of tangible assets	(6,649)	(5,000)
Amortisation of government grants	(12,000)	(12,000)
Amortisation of intangible assets (included in 'administrative expenses')	428,687	362,894
Depreciation of tangible assets	739,352	754,688
Inventory recognised as an expense	15,367,417	14,551,482
Net loss on foreign currency translation	391,748	406
Operating lease charges - other	2,564	56,504
Audit fees payable to the company's auditor		
- In relation to the group	-	-
- In relation to the subsidiaries	23,500	35,500
Other services relating to taxation	5,000	5,000

7 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2016	2015
	Number	Number
Production and sales staff	190	167
Management and administration staff	47	90
	237	257

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

7 Employees and directors (continued)

Staff costs

	2016	2015
	£	£
Wages and salaries	5,644,474	5,421,595
Social security costs	479,971	457,896
Other pension costs	179,322	175,282
	6,303,767	6,054,773

The company has no employees other than its directors, and no staff costs in the current or prior years.

Group - Directors

The directors' aggregate remuneration and other payments in respect of qualifying services were:

	2016	2015
	£	£
Aggregate emoluments	423,541	406,764
Aggregate amounts receivable under long term incentive schemes	26,456	25,300
	449,997	432,064

Post-employment benefits are accruing for 4 directors (2015: 4) under a defined contributions scheme.

Highest paid director

	2016	2015
	£	£
Total amount of emoluments	152,681	146,097
Defined contribution pension schemes	9,567	9,327
	162,248	155,424

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

7 Employees and directors (continued)

Group - Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2016	2015
	£	£
Salaries and other short-term benefits	753,329	768,284
Post-employment benefits	38,485	41,036
	791,814	809,320

Company

The directors and key management personnel received no remuneration in respect of their services to the company (2015: £nil).

8 Net interest expense

(a) Interest receivable and similar income

	2016	2015
	£	£
Bank interest received	6,280	712

(b) Interest payable and similar expenses

	2016	2015
	£	£
Interest payable to parent undertaking	40,812	42,079

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

8 Net interest expense (continued)

(c) Net interest expense

	2016	2015
	£	£
Interest receivable and similar income	6,280	712
Interest payable and similar expenses	(40,812)	(42,079)
Net interest expense	(34,532)	(41,367)

9 Tax on profit on ordinary activities

(a) Tax expense included in profit and loss

	2016	2015
	£	£
Current tax:		
- UK corporation tax on profits for the year	360,986	497,446
- Adjustments in respect of previous periods	(4,050)	(9,286)
Total current tax	356,936	488,160
Deferred tax		
- Origination and reversal of timing differences	2,654	(16,332)
- Impact of changes in tax rate	2,503	7,557
- Adjustment in respect of previous periods	(1,208)	10,513
Total deferred tax	3,949	1,738
Tax on profit on ordinary activities	360,885	489,898

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

9 Tax on profit on ordinary activities (continued)

(b) Reconciliation of tax charge

Tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20.00% (2015: 20.25%). The difference are explained below:

	2016	2015
	£	£
Profit on ordinary activities before tax	1,350,738	1,965,267
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	270,148	397,967
Effects of:		
- Expenses not deductible for tax purposes	93,492	97,346
- Tax rate changes	(5,258)	2,001
- Adjustments to tax charge in respect of prior years	2,503	(7,416)
Tax on profit on ordinary activities	360,885	489,898

(c) Factors affecting future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. A further reduction in the main corporation tax rate to 17% from 1 April 2020 was announced in the 2016 Budget and substantively enacted in the Finance Act 2016. Given the changes are stepped, deferred tax assets and liabilities reflect the rate of 19% that will apply from 1 April 2017.

10 Profit attributable to members of the parent company

The Company has not presented its own profit and loss account as permitted by Section 408 (1) of the Companies Act 2006. Its profit for the year amounts to £nil (2015: £nil).

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

11 Intangible assets

Group	Goodwill	Intangible assets	Total
	£	£	£
Cost			
At 1 January 2016	2,439,754	230,013	2,669,767
Additions	-	-	-
At 31 December 2016	2,439,754	230,013	2,669,767
Accumulated amortisation			
At 1 January 2016	492,046	195,449	687,495
Charge for the year	418,062	10,625	428,687
At 31 December 2016	910,108	206,074	1,116,182
Net book value			
At 31 December 2016	1,529,646	23,939	1,553,585
At 31 December 2015	1,947,708	34,564	1,982,272

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

12 Tangible assets

Group	Freehold property	Assets in the course of construction	Plant and machinery	Other assets	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2016	8,155,599	2,469,507	8,175,978	628,878	19,429,962
Additions	444,492	-	243,397	87,434	775,323
Disposals	-	-	-	(71,073)	(71,073)
Transfers	1,797,337	(2,469,507)	672,170	-	-
At 31 December 2016	10,397,428	-	9,091,545	645,239	20,134,212
Accumulated depreciation					
At 1 January 2016	3,409,602	-	5,661,542	525,305	9,596,449
Charge for the year	379,420	-	308,581	51,351	739,352
Disposals	-	-	-	(49,007)	(49,007)
At 31 December 2016	3,789,022	-	5,970,123	527,649	10,286,794
Net book value					
At 31 December 2016	6,608,406	-	3,121,422	117,590	9,847,418
At 31 December 2015	4,745,997	2,469,507	2,514,436	103,573	9,833,513

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

13 Investments

Company	2016	2015
	£	£
At 1 January and 31 December	830,512	830,512

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary undertakings	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Directly held by the company:				
Culpitt Limited	England	Ordinary shares	100%	Manufacture and sale of food and cake decorations
Indirectly held by the company:				
Sugarfayre Limited	England	Ordinary shares	100%	Manufacture and sale of food and cake decorations
Eileen Grace Limited	England	Ordinary shares	100%	Sale of cake decorations
Decopac (UK) Limited	England	Ordinary shares	100%	Dormant

The registered office of all subsidiaries is Jubilee Industrial Estate, Ashington, Northumberland, NE63 8UQ.

14 Inventories

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Raw materials	525,161	601,060	-	-
Work in progress	91,733	103,116	-	-
Finished goods and goods for resale	3,142,209	2,920,333	-	-
	3,759,103	3,624,509	-	-

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £706,454 (2015: £870,019).

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

15 Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	2,624,744	2,588,371	-	-
VAT recoverable	49,283	96,522	-	-
Corporation tax	10,664	-	-	-
Other debtors	138,082	30,298	85	85
Prepayments and accrued income	50,553	241,382	-	-
Deferred taxation (note 19)	143,297	92,312	-	-
	3,016,623	3,048,885	85	85

Trade debtors are stated after provisions for impairment of £174,421 (2015: £151,953).

16 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	1,026,818	1,247,808	-	-
Amounts owed to group undertakings	-	-	212,058	212,058
Other taxation and social security	127,633	232,912	-	-
Corporation tax	66,453	143,010	-	-
Other creditors	28,834	33,002	-	-
Accruals and deferred income	975,972	1,361,140	-	-
	2,225,710	3,017,872	212,058	212,058

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amounts owed to group undertakings	1,509,262	3,024,919	-	-
Accruals and deferred income	519,308	531,308	-	-
Deferred tax	112,996	58,130	-	-
	2,141,566	3,614,357	-	-

Amounts owed to group undertakings incur interest based on LIBOR and are not secured. DecoPac Inc have confirmed that they will not seek repayment of this loan within twelve months of the date of signing these financial statements.

18 Pension contributions

The group operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £179,322 (note 7) (2015: £175,282). At the balance sheet date outstanding pension contributions amounted to £26,870 (2015: £26,986).

19 Provisions for other liabilities

The company had the following (asset)/provisions during the year:

	Group	Company
	Deferred tax asset	Deferred tax provision
	£	£
At 1 January 2016	(34,182)	-
Additions dealt with in profit or loss	3,881	-
At 31 December 2016	(30,301)	-

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

19 Provisions for other liabilities (continued)

Deferred tax

The asset for deferred tax consists of the following deferred tax liabilities/(assets):

Group	2016		2015	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital allowances	54,850	-	44,883	-
Short term timing differences	(85,151)	-	(79,065)	-
	(30,301)	-	(34,182)	-

There are no unused tax losses or unused tax credits.

The net deferred tax liability expected to reverse in 2016 is £nil.

20 Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Group	2016	2015
Assets other than land and buildings	£	£
Payments due:		
Not later than one year	2,564	56,564
Within 2 to 5 years	-	55,923
	2,564	112,487

The company had no other off-balance sheet arrangements.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

21 Related party transactions

During the year the group traded with DecoPac Inc, the ultimate parent company. The following transactions took place:

	2016	2015
	£	£
Sales	1,635,646	989,412
Purchases	(14,906)	(16,754)
Interest charges	(40,812)	(42,079)
Cash received	-	2,308,028

At the year end, £1,509,262 (2015: £3,024,919) was owed to Decopac Inc and is included within creditors.

22 Called up share capital

	2016	2015
Group and Company	£	£
Ordinary shares of £1 each		
Allotted and fully paid		
At 1 January and 31 December	22,500	22,500

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

G T Culpitt & Son (Holdings) Limited

Notes to the financial statements (continued)

23 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2016	2015
	£	£
Operating profit	1,385,270	2,006,634
Amortisation	428,687	362,894
Depreciation	739,352	754,752
Amortisation of government grants	(12,000)	(12,000)
Profit on sale of fixed assets	(6,649)	-
(Increase)/decrease in stocks	(134,595)	(308,622)
Decrease/(increase) in debtors	93,911	(213,856)
(Decrease)/increase in creditors	(720,990)	958,751
Net cash inflow from operating activities	1,772,986	3,548,552

24 Ultimate parent company and controlling party

The ultimate parent company and ultimate controlling party is DecoPac Inc, a company incorporated in the United States of America.

The smallest group of companies for which group financial statements are prepared is that headed by G T Culpitt & Son (Holdings) Limited.

The largest group of companies for which group financial statements are prepared is that headed by DecoPac Inc.

The company is controlled by its ultimate parent company.