

Company Registration No. 01137143 (England and Wales)

**Tomrods Limited**

**Annual report and financial statements  
for the year ended 31 December 2016**



## Tomrods Limited

### Company information

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<b>Directors</b>	Laurence McDougall John Thompson Andrew Shakespeare Neil Latcham	(Appointed 1 January 2016)
<b>Secretary</b>	Melinda Bruce	
<b>Company number</b>	01137143	
<b>Registered office</b>	Hambleton Steel Works York Road Thirsk North Yorkshire YO7 3BT	
<b>Independent auditors</b>	Saffery Champness LLP Mitre House North Park Road Harrogate North Yorkshire HG1 5RX	
<b>Bankers</b>	HSBC Bank plc Yorkshire and North East Corporate Banking Centre 4th Floor, City Point 29 King Street Leeds LS1 2HL	

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## Tomrods Limited

### Contents

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	<b>Page</b>
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditors' report	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 28

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## Tomrods Limited

### Strategic report

For the year ended 31 December 2016

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The directors present the strategic report for the year ended 31 December 2016.

#### Principal Activities and Business Review

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

This business review has been prepared solely to provide information to shareholders as a body to assess the company's strategies and the potential for those strategies to succeed. The review should not be relied on by any other party or for any other purpose.

We consider that our key performance indicators are those demonstrating our financial performance and strength of the company as a whole, being turnover, gross margin and net assets.

	2016	2015	2014	2013
	£000s	£000s	£000s	£000s
Turnover	15,079	16,290	17,944	18,663
Adjusted Turnover (see below)	15,079	16,290	17,824	17,105
Gross profit margin (see below)	26.6%	20.9%	19.6%	18.7%
Net assets	3,721	3,205	3,709	3,534

The above Adjusted Turnover figures exclude the purchase agency type sales to its sister company, All Steels Trading Ltd. Such transactions yield a 0% gross margin but are reimbursed via a management charge. This type of transaction reduced to zero from 2015.

The Turnover results for the year were well ahead of budget expectations due to significant increases in steel prices during the year. The key focus of the business continued to be on sustaining margins, increasing processing capacity and further improving customer service. As the complexity of steel processing increased tonnage volumes decreased slightly but this was all part of a strategic plan to achieve better sales margins, which proved to be the case.

*A general upturn in market steel prices off the back of rising steel making costs also greatly assisted this situation and some windfalls were achieved on virtually all unsold stocks. (The above Gross Profit Margin percentages are calculated after charging processing costs but before transport costs and are based on the Adjusted Turnover).*

The business trading performance during 2016 continued to be supported by increasing the night shift manning to allow additional processing capacity. During the year the business continued to focus on further developing processing capabilities which now also include milling and notching.

Net Assets increased to £3,720,934 after awarding dividends totalling £605,021.

HSBC continued to provide finance facilities throughout 2016 and ongoing facilities have been extended into 2017.

Tomrods Limited

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

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**Principal risks and uncertainties**

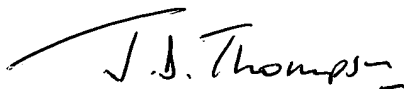
The business' principal customers are across a wide range of industries so the business is not significantly exposed to risks in one business sector.

The principal risk the business faces is the volatility in steel prices but the Directors continue to manage this risk by closely monitoring the market and ensuring stocks and forward purchases are kept at the right levels to reflect the market situation.

The company continues to insure its debts through QBE.

There is no foreign exchange risk as the company forward buys or sells currency at the point each contract is finalised.

On behalf of the board



John Thompson

Director

12/06/17

**Tomrods Limited**

**Directors' report  
For the year ended 31 December 2016**

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The directors present their annual report and financial statements for the year ended 31 December 2016.

**Principal activities**

Tomrods Ltd is a general steel stockholder based in North Yorkshire supplying steel to a wide variety of industrial sectors in the North of England.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Laurence McDougall  
John Thompson  
Andrew Shakespeare  
Neil Latcham

(Appointed 1 January 2016)

**Results and dividends**

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £605,021. The directors do not recommend payment of a final dividend.

**Future developments**

The directors' strategy for the company is to continue development in its current markets and to identify any new opportunities that arise.

**Auditors**

Saffery Champness LLP have expressed their willingness to continue in office.

**Statement of disclosure to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



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John Thompson

Director

12/06/17

## **Tomrods Limited**

### **Directors' responsibilities statement For the year ended 31 December 2016**

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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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

## **Tomrods Limited**

### **Independent auditors' report To the members of Tomrods Limited**

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We have audited the financial statements of Tomrods Limited for the year ended 31 December 2016 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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 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. 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.

#### **Opinion on financial statements**

In our opinion the financial statements:

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

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit, 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, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



Tomrods Limited

Independent auditors' report (continued)

To the members of Tomrods Limited

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**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

Martin Holden (Senior Statutory Auditor)  
for and on behalf of Saffery Champness LLP



12/06/17

Chartered Accountants  
Statutory Auditors

Mitre House  
North Park Road  
Harrogate  
North Yorkshire  
HG1 5RX

Tomrods Limited

Statement of comprehensive income  
For the year ended 31 December 2016

		2016	2015
	Notes	£	£
Turnover	3	15,078,916	16,290,165
Cost of sales		(11,627,830)	(13,480,270)
<b>Gross profit</b>		<b>3,451,086</b>	<b>2,809,895</b>
Administrative expenses		(2,178,323)	(2,249,183)
Other operating income		182,880	182,879
<b>Operating profit</b>	4	<b>1,455,643</b>	<b>743,591</b>
Interest payable and similar expenses	7	(70,542)	(88,238)
Other gains and losses	8	-	14,777
<b>Profit before taxation</b>		<b>1,385,101</b>	<b>670,130</b>
Taxation	9	(263,729)	(146,524)
<b>Profit for the financial year</b>	24	<b>1,121,372</b>	<b>523,606</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

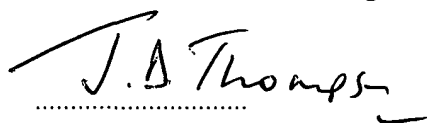
Tomrods Limited

Balance sheet

As at 31 December 2016

	Notes	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		3,106,462		3,284,291
<b>Current assets</b>					
Stocks	12	2,763,246		2,167,186	
Debtors	13	3,189,370		3,043,184	
Cash at bank and in hand		97,745		12,706	
			6,050,361		5,223,076
<b>Creditors: amounts falling due within one year</b>	14	(4,001,078)		(3,509,224)	
<b>Net current assets</b>			2,049,283		1,713,852
<b>Total assets less current liabilities</b>			5,155,745		4,998,143
<b>Creditors: amounts falling due after more than one year</b>	15		(1,315,263)		(1,642,254)
<b>Provisions for liabilities</b>	18		(119,548)		(151,306)
<b>Net assets</b>			3,720,934		3,204,583
<b>Capital and reserves</b>					
Called up share capital	21		115,535		115,535
Revaluation reserve	22		153,623		154,423
Capital redemption reserve	23		18,204		18,204
Profit and loss reserves	24		3,433,572		2,916,421
<b>Total equity</b>			3,720,934		3,204,583

The financial statements were approved by the board of directors and authorised for issue on 12/06/17 and are signed on its behalf by:



John Thompson  
Director

Company Registration No. 01137143

Tomrods Limited

Statement of changes in equity  
For the year ended 31 December 2016

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2015</b>		115,535	155,223	18,204	3,573,813	3,862,775
<b>Year ended 31 December 2015:</b>						
Profit and total comprehensive income for the year		-	-	-	523,606	523,606
Dividends	10	-	-	-	(1,181,798)	(1,181,798)
Transfers		-	(800)	-	800	-
<b>Balance at 31 December 2015</b>		115,535	154,423	18,204	2,916,421	3,204,583
<b>Year ended 31 December 2016:</b>						
Profit and total comprehensive income for the year		-	-	-	1,121,372	1,121,372
Dividends	10	-	-	-	(605,021)	(605,021)
Transfers		-	(800)	-	800	-
<b>Balance at 31 December 2016</b>		115,535	153,623	18,204	3,433,572	3,720,934

**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**1 Accounting policies**

**Company information**

Tomrods Limited is a private company limited by shares incorporated in England and Wales. The registered office is Hambleton Steel Works, York Road, Thirsk, North Yorkshire, YO7 3BT.

**1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Thompson McDougall Steel Holdings Limited. These consolidated financial statements are available from its registered office, Hambleton Steelworks, York Road, Thirsk, North Yorkshire, YO7 3BT.

**Notes to the financial statements (continued)**

**For the year ended 31 December 2016**

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**1 Accounting policies (continued)**

**1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% straight line on buildings
Plant and machinery	15% - 20% straight line
Fixtures, fittings & equipment	25% - 33% straight line
Motor vehicles	15% - 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

**1.5 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Notes to the financial statements (continued)**

**For the year ended 31 December 2016**

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**1 Accounting policies (continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**1.6 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**1.7 Cash and cash equivalents**

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

**1.8 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

**1 Accounting policies (continued)**

***Basic financial assets***

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

***Other financial assets***

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 a 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.

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.



**1 Accounting policies (continued)**

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Other financial liabilities***

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

## Tomrods Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2016

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#### 1 Accounting policies (continued)

##### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

##### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

###### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

###### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### 1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1 Accounting policies (continued)**

**1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**1.13 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

**1.14 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**1.15 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

**2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Notes to the financial statements (continued)

For the year ended 31 December 2016

**2 Critical accounting judgements and key sources of estimation uncertainty (continued)**

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

***Provisions against debtors and stock***

Provisions are made for bad and doubtful debts and obsolete stock. These provisions require management's best estimate of the recoverability of trade debtors and the expected future use of stock.

**3 Turnover analysed by geographical market**

	2016	2015
	£	£
United Kingdom	14,770,256	15,989,716
Europe	308,660	300,449
	<u>15,078,916</u>	<u>16,290,165</u>

**4 Operating profit**

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(23,521)	973
Government grants	(9,000)	(9,000)
Fees payable to the company's auditors for the audit of the company's financial statements	12,000	12,940
Depreciation of owned tangible fixed assets	122,298	153,567
Depreciation of tangible fixed assets held under finance leases	151,558	151,558
Profit on disposal of tangible fixed assets	(11,285)	-
Cost of stocks recognised as an expense	<u>10,592,395</u>	<u>12,580,911</u>

Tomrods Limited

Notes to the financial statements (continued)  
For the year ended 31 December 2016

5 Employees

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

	2016 Number	2015 Number
Distribution staff	33	30
Administrative staff	21	20
	<u>54</u>	<u>50</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	1,882,314	1,792,330
Social security costs	172,708	156,322
Pension costs	712	2,532
	<u>2,055,734</u>	<u>1,951,184</u>

6 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	<u>273,267</u>	<u>235,156</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>199,727</u>	<u>133,156</u>
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7 Interest payable and similar expenses

	2016 £	2015 £
Interest on bank overdrafts and loans	54,801	71,654
Interest on finance leases and hire purchase contracts	15,741	16,584

Tomrods Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

8 Other gains and losses

	2016	2015
	£	£
<b>Fair value gains/(losses) on financial instruments</b>		
Gain on hedge item in a fair value hedge	-	1,361
Gain/(loss) on hedging instrument in a fair value hedge	-	(1,766)
	-	(405)
<b>Other gains/(losses)</b>		
Gain on disposal of fixed asset investments	-	15,182
	-	14,777

9 Taxation

	2016	2015
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	295,494	156,287
Adjustments in respect of prior periods	(7)	1,745
Total current tax	295,487	158,032
<b>Deferred tax</b>		
Origination and reversal of timing differences	(20,458)	(11,508)
Adjustment in respect of prior periods	(11,300)	-
Total deferred tax	(31,758)	(11,508)
Total tax charge	263,729	146,524

Tomrods Limited

Notes to the financial statements (continued)  
For the year ended 31 December 2016

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9 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	1,385,101	670,130
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	277,020	134,026
Tax effect of expenses that are not deductible in determining taxable profit	11,744	11,667
Gains not taxable	-	(2,795)
Adjustments in respect of prior years	(11,307)	1,745
Effect of change in corporation tax rate	-	1,881
Permanent capital allowances in excess of depreciation	-	11,508
Deferred tax	(13,728)	(11,508)
Taxation for the year	263,729	146,524

10 Dividends

	2016 £	2015 £
Interim paid	605,021	1,181,798

Included in dividends in the prior year was a dividend in specie of this company's investment in an associated company to the company's holdings company at book value of £876,000.

Tomrods Limited

Notes to the financial statements (continued)  
For the year ended 31 December 2016

11 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2016	2,400,000	1,628,033	157,286	618,757	4,804,076
Additions	-	10,068	77,409	17,500	104,977
Disposals	-	(45,781)	-	(55,574)	(101,355)
At 31 December 2016	2,400,000	1,592,320	234,695	580,683	4,807,698
<b>Depreciation and impairment</b>					
At 1 January 2016	41,600	1,036,252	134,664	307,269	1,519,785
Depreciation charged in the year	20,800	135,831	30,341	86,884	273,856
Eliminated in respect of disposals	-	(45,781)	-	(46,624)	(92,405)
At 31 December 2016	62,400	1,126,302	165,005	347,529	1,701,236
<b>Carrying amount</b>					
At 31 December 2016	2,337,600	466,018	69,690	233,154	3,106,462
At 31 December 2015	2,358,400	591,781	22,622	311,488	3,284,291

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016 £	2015 £
Plant and machinery	316,516	635,317
Motor vehicles	220,027	302,538
	536,543	937,855
Depreciation charge for the year in respect of leased assets	151,558	151,558

Land and buildings with a carrying amount of £2,400,000 were revalued at 1 January 2014 by Carter Jonas, independent valuers not connected with the company on the basis of market value.



**Tomrods Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2016**

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**11 Tangible fixed assets (continued)**

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Cost	2,313,977	2,313,977
Accumulated depreciation	130,000	110,000
Carrying value	<u>2,183,977</u>	<u>2,203,977</u>

**12 Stocks**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<u>2,763,246</u>	<u>2,167,186</u>

**13 Debtors**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	2,943,390	2,759,282
Other debtors	92,245	165,978
Prepayments and accrued income	153,735	117,924
	<u>3,189,370</u>	<u>3,043,184</u>

Tomrods Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

**14 Creditors: amounts falling due within one year**

		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>16</b>	400,639	1,103,241
Obligations under finance leases	<b>17</b>	181,156	181,156
Trade creditors		2,429,698	1,481,704
Amounts due to group undertakings		-	600
Corporation tax		295,494	156,539
Other taxation and social security		308,262	264,054
Government grants		9,000	-
Other creditors		135,000	123,946
Accruals and deferred income		241,829	197,984
		<u>4,001,078</u>	<u>3,509,224</u>

**15 Creditors: amounts falling due after more than one year**

		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Loans and overdrafts	<b>16</b>	1,053,443	1,181,278
Obligations under finance leases	<b>17</b>	228,820	409,976
Government grants		33,000	51,000
		<u>1,315,263</u>	<u>1,642,254</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>509,993</u>	<u>775,794</u>
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Notes to the financial statements (continued)  
For the year ended 31 December 2016

**16 Loans and overdrafts**

	2016	2015
	£	£
Bank loans	1,180,229	1,301,536
Bank overdrafts	273,853	982,983
	<u>1,454,082</u>	<u>2,284,519</u>
Payable within one year	400,639	1,103,241
Payable after one year	<u>1,053,443</u>	<u>1,181,278</u>

Bank borrowings are secured by a debenture dated 16 April 2010 including a fixed and floating charge over all assets of the company. In addition, the bank hold a first legal charge dated 24 June 2010 over the company's freehold property.

Interest on these borrowings is charged at 2.5% per annum over the Bank's sterling base rate, which at the year end was 0.5%.

**17 Finance lease obligations**

	2016	2015
	£	£
Future minimum lease payments due under finance leases:		
Within one year	196,897	196,897
In two to five years	249,659	446,556
	<u>446,556</u>	<u>643,453</u>
Less: future finance charges	(36,580)	(52,321)
	<u>409,976</u>	<u>591,132</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Tomrods Limited

Notes to the financial statements (continued)  
For the year ended 31 December 2016

18 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	19	119,548	151,306
		<u>119,548</u>	<u>151,306</u>

19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
<b>Balances:</b>		
Accelerated capital allowances	119,690	151,306
Short term differences	(142)	-
	<u>119,548</u>	<u>151,306</u>
		<b>2016</b>
<b>Movements in the year:</b>		<b>£</b>
Liability at 1 January 2016		151,306
Credit to profit or loss		(31,758)
		<u>119,548</u>

During the year beginning 1 January 2017 the net reversal of deferred tax liabilities is expected to increase the corporation tax charge for the year by £26,000. This is due to the reversal of accelerated capital allowances.

Tomrods Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

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**20 Retirement benefit schemes**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	712	2,532

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**21 Share capital**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Authorised</b>		
120,000 Ordinary shares of £1 each	120,000	120,000
<b>Issued and fully paid</b>		
115,535 Ordinary shares of £1 each	115,535	115,535

The company has one class of ordinary shares which carry no right to fixed income.

**22 Revaluation reserve**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
At beginning of year	154,423	155,223
Transfer to retained earnings	(800)	(800)
At end of year	153,623	154,423

**23 Capital redemption reserve**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
At beginning and end of year	18,204	18,204

Tomrods Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

**24 Profit and loss reserves**

	<b>2016</b>	<b>2015</b>
	£	£
At the beginning of the year	2,916,421	3,573,813
Profit for the year	1,121,372	523,606
Dividends	(605,021)	(1,181,798)
Transfer from revaluation reserve	800	800
	<u>3,433,572</u>	<u>2,916,421</u>

**25 Financial commitments, guarantees and contingent liabilities**

HSBC Bank Plc holds an unlimited multi-lateral guarantee dated 16 April 2010 as security for all bank borrowings in Tomrods Limited, its parent company Thompson McDougall Steel Holdings Limited and All Steels Trading Limited, a company under common control. The amount guaranteed at 31 December 2016 was £11,085,005 (2015: £7,846,259).

**26 Related party transactions**

**Transactions with related parties**

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2016	2015	2016	2015
	£	£	£	£
Entities under common control	256,045	75,774	3,054,683	3,805,455
	<u>256,045</u>	<u>75,774</u>	<u>3,054,683</u>	<u>3,805,455</u>
	Overhead recharges to		Management charges to	
	2016	2015	2016	2015
	£	£	£	£
Entities under common control	662,113	476,923	167,880	167,879
	<u>662,113</u>	<u>476,923</u>	<u>167,880</u>	<u>167,879</u>

During the year the company was also recharged costs of £15,542 (2015: £3,915) from entities under common control.

Notes to the financial statements (continued)  
For the year ended 31 December 2016

**26 Related party transactions (continued)**

The following amounts were outstanding at the reporting end date:

	2016	2015
	£	£
<b>Amounts owed to related parties</b>		
Entities under common control	4,019	600
Key management personnel	135,000	123,946
	<u>139,019</u>	<u>124,546</u>

Amounts owed to key management personnel represent directors' loans, which are unsecured, interest free and repayable on demand.

The following amounts were outstanding at the reporting end date:

	<b>2016</b>
	<b>Balance</b>
	<b>£</b>
<b>Amounts owed by related parties</b>	
Entities under common control	725,063
	<u>725,063</u>
	<b>2015</b>
	<b>Balance</b>
	<b>£</b>
<b>Amounts owed in previous period</b>	
Entities under common control	169,162
	<u>169,162</u>

**27 Controlling party**

The immediate and ultimate parent company of Tomrods Limited is Thompson McDougall Steel Holdings Limited, a company registered in England and Wales.

Thompson McDougall Steel Holdings Limited prepares group financial statements, which include the results of Tomrods Limited, and copies can be obtained from Hambleton Steel Works, York Road, Thirsk, North Yorkshire, YO7 3BT.

**28 Directors' transactions**

Dividends totalling £0 (2015 - £160,000) were paid in the year in respect of shares held by the company's directors.