


# Pegler Yorkshire Group Limited

## Annual report and unaudited financial statements

for the year ended 31 December 2019

Registered number: 00401507

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# Pegler Yorkshire Group Limited

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# Pegler Yorkshire Group Limited

## Strategic report

### Principal Activities

The principal activities of the Company are the design, development, manufacture and sale of advanced plumbing, heating and engineering products. The Company sells under a number of market leading brands throughout the world, but predominantly in the UK, mainland Europe, and the Middle East. The strategy of the Company is to deliver outstanding customer service fully supported by the continuous development of leading technological products that provide fully integrated piping systems to the plumbing industry.

### Review of the business

Pegler Yorkshire Group Limited delivered a solid performance in 2019 with a 35% increase in profit after tax on its 2018 results. The Company is focussed on delivering operational excellence across its UK manufacturing plant, whilst seeking every opportunity to expand its current UK manufactured valves portfolio. Key to the Company's growth strategy is to invest in and deliver new innovative valve products, which will service Global markets, supported by exceptional customer service and an employee culture of 'Winning with People'.

Turnover reduced by £16.7m to £127.8m (2018: £144.5m) mainly arising from the internal transfer of washroom products (2018: £14.7m) within the Aalberts Group. The basis for the washroom turnover transfer fully supports the strategy to focus on delivering the Aalberts Integrated Piping Systems globally. Middle East markets remain a key part of the Company's turnover and despite challenging market conditions in 2019, the turnover has remained on par with prior year results. Earnings before interest, tax and amortisation (EBITA) increased to £6.4m (2018: £3.9m) due to several projects undertaken on pricing excellence of our externally sourced goods.

The result for the year includes a £0.8m (2018: £0.2m) rationalisation cost in relation to redundancy costs within the UK facility as a result of re-organisation of key areas within the business.

Net assets as at 31 December 2019 were £71.5m (2018: £68.8m) which are driven by the profit in the year, the re-measurement of the defined pension scheme and dividends.

### Key Performance Indicators (KPIs)

KPI	2019	2018	Analysis of performance
Sales growth (%)	11.5	(2.40)	Turnover was impacted by the internal transfer of washroom sales (9.5%). UK turnover recorded a (1%) decline mainly around the commodity fittings market which continue to be extremely price sensitive, whilst our valves sales showed an encouraging increase year on year. The remaining decline in turnover arose from a slowdown in established markets within Europe.
Gross margin (%)	16.6	12.3	Gross margin showed a marked improvement with a continuous focus on pricing excellence of our bought in portfolio.
Operating Profit (%)	4.34	2.14	Improved operating profit position arising from improved gross margin partially offset by restructuring costs.
Debtor days	76	62	Main increase in debtor days due to foregoing early customer settlement agreements.
Stock days	125	109	Stock days have been impacted by the internal transfer of washroom products, which was managed on low stock values.

# Pegler Yorkshire Group Limited

## Strategic report

### Key Performance Indicators (KPIs) (continued)

The KPI's are defined as:

Sales growth (%)	Year on year sales change from continuing operations, expressed as a percentage.
Gross margin (%)	The ratio of gross margin to sales expressed as a percentage.
Operating profit (%)	Operating profit expressed as a percentage of sales.
Debtor days	The level of trade debtors and its ratio to sales expressed in days.
Stock days	The level of stock and its ratio to cost of sales expressed in days.

### Sustainability Strategy

The Company will achieve its objectives as sustainably as possible, using its entrepreneurial workforce to innovate and create technology to support our planet. Today we are not only focussed on our own waste and inefficiencies, but we are partnering with our customers and suppliers to develop initiatives to contribute to a greener society. The Company is leveraging the Aalberts Group to share experiences across a team of 16,000 employees, providing a real momentum in driving change to our established practices. As a result of our focus on sustainability the Company will be more attractive to highly skilled employees and will get the opportunity to work on more increasingly demanding solutions for our customers.

The World constantly changes and the responsibility of our generation to utilise its knowledge and expertise to create technologies that enable the planet to get back into good shape, is an extremely important part of our business model. The model utilised by our Company is fully supported by third party standards and accreditations that ensure our processes are controlled, managed and independently audited.

### Section 172 Reporting

The Directors of the Company and those of all UK companies must act in accordance with a set of general duties. These duties are detailed in s172 of the UK Companies Act 2008 which are summarised below:

A Director of a Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the shareholders as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customer and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

### Long Term decision making

The vision for the Company is 'To be the Worlds Market Leader for Integrated Piping Systems' which underpins our strategic decisions both short and long term. The Directors recognise that employees are a major factor in achieving our vision and therefore we use our resources to invest in training, talent management, apprentices, succession planning and employee retention schemes. To complement our workforce investment, the Directors have approved new capital equipment expenditure, which will provide efficiency, new product opportunities and additional capacity to grow the business in the coming years.

A further area where the Company is taking time to invest for the future is within research and development programmes, which will provide the Company with product innovations to enable growth and sustainability.

# Pegler Yorkshire Group Limited

## Strategic report

### Our people

The Company recognises the value of its employees and that its long-term success relies heavily on attracting and retaining a highly skilled workforce. The Company is committed to promoting policies which ensure that employees and those who seek to work for the Company are covered under an equality policy. The Company gives full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the development of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

As a UK manufacturing business, the Company understands the pressures and challenges of the skills gap in engineering and therefore invests in training and apprentices to deliver a sustainable skill base for the future. The Company sets a high cultural standard in its approach to health and safety for its employees and for all visitors to our sites to ensure that we provide a safe place to work.

### Business Relationships

The Directors promote a culture to form strategic partnerships with its customers and suppliers around the Globe. These partnerships are fundamental to the long-term success of the business and have successfully evolved over extensive periods of time. The Company continually monitors the engagement of these stakeholders to provide opportunities for both parties to share in continuous improvement activities and a sustainable business model.

### Community and Environment

The Company invests in technologies that are clean, green and non-polluting throughout their lifecycle, whilst also ensuring our own operations are as clean, green and waste-free as possible. There is no magic technology or machine that will resolve the environmental position as of today but we fully believe that working together and using our team of entrepreneurs we can achieve our objectives on sustainability.

### Ethical and fair behaviour to maintain the reputation

The Company has leadership principles of trust and responsibility, allowing customers to listen to us because they trust us, and they know we will always assume responsibility. The Directors recognise that to create long-term value the business needs to incorporate strong governance and trade with the highest possible ethical manner. The Directors have incorporated a 'Respect' charter into the Company to ensure that employees understand the conduct under which we engage with each other. Anyone who finds that unethical business practices are being undertaken they can be reported through the internal 'speak up' portal or through an independent hotline.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to several risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from alternative materials and suppliers, both nationally and internationally, this risk is mitigated by having a strong relationship with key customers and striving to provide excellent customer service, and a high quality product. The costs of the Company's key raw materials are subject to fluctuation based on the London Metal Exchange prices and have to be monitored closely with significant variations over a long period being passed on to the Company's customers. The Company has commodity contracts to mitigate the risk of short-term copper and zinc price fluctuations in the marketplace.

At the date of this report, the terms under which the United Kingdom will withdraw from the European Union are not fully known. The Company has implemented a series of actions across key functions to manage the impact of Brexit on its business and has a contingency plan in place for potential scenarios that can be implemented when required. The Company is confident that the underlying business will be able to meet any initial and on-going challenges or opportunities that Brexit may bring.

# **Pegler Yorkshire Group Limited**

## **Strategic report**

The Company continues to work extensively with its supply chain to increase key inventory stock holdings in preparation for any logistic disruptions and has identified alternative routes to minimise delays at the busiest UK ports. The Company was awarded Authorised Economic Operators (AEOC) status during 2019 which will support the work achieved on our supply chain and assist in minimising the Brexit impact.

### **Future developments**

Given the current COVID impact on the Global economy, it is anticipated that the 2020 financial year will see a significant drop in levels of activity, particularly impacting turnover. The Company has taken strategic steps to minimise the impact of the decline in turnover, whilst still driving key projects to formulate a platform for growth in the coming years. At the date of this report COVID is still a major risk to the economy and businesses across the Globe, however the Directors expect the business to close out the year with a profitable return.

The UK exit from the European Union will also provide turbulence in the markets and will compound the uncertainty of the UK economy. The Directors are confident that the work that has been achieved around COVID, Brexit and new product development will provide a great platform to grow the business once the Global economy starts to show signs of recovery.

Approved by and signed on behalf of the board



Craig Malloy

Director

29 September 2020

St Catherine's Avenue, Doncaster, South Yorkshire, DN4 8DF

# Pegler Yorkshire Group Limited

## Directors' report

The directors present their annual report on the affairs of the Company, together with the unaudited financial statements, for the year ended 31 December 2019. In accordance with S414C(ii) of Companies Act 2006 the Company has elected to present certain items in the Strategic Report, including the review of the business, key performance indicators, principal risks and uncertainties and future developments.

### Research and development

During 2019 the Company employed a team of 11 people in its new product development department based in Doncaster who spend approximately 80% of their time developing new products or ranges to enhance the Company's existing extensive product portfolio.

### Going concern

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements on page 13.

### Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (mainly currency risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out in association with the Aalberts N.V. (parent) central treasury function located in the Netherlands. Risks are then managed locally in line with procedures laid down by the group function.

### Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates, the Company has exposure to Euro and US Dollar exchange rate variations. The Company does not use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures, it has a natural hedge against US Dollar and manages its exposure on a monthly basis.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Credit risk arises from exposure to outstanding receivables. The Company's policy is to insure all its debt through Atradius Credit Insurance, in reality the amount of debt insured on average is 76% (2018: 83%). The Company also manages its credit exposure through defined credit limits with its trading counterparties.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

# Pegler Yorkshire Group Limited

## Directors' report

### *Liquidity risk*

The business is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and any future plans for growth. The Company has access to facilities on a UK group wide basis negotiated through the central treasury function. The Company manages its liquidity through both short term and long term cash flow forecasts.

### *Metal commodity price risk*

The Company has exposure to the movement of metal commodity prices. The Company manages this through the use of derivative financial instruments to hedge the future movement in metal commodity prices.

### **Dividends**

The directors paid a dividend of £1,498k in the year, in relation to a final dividend for 2018 (2018: £2,701k), further details are given in note 9. The directors also recommend a final dividend of 3.69p per ordinary share to be paid in 2020 to ordinary shareholders on the register, being a total of £2,030k for the year.

### **Directors**

The directors, who served throughout the year and subsequently were as follows:

W Pelsma

C Malloy

B Liddle

A In Het Veld

### **Employee Engagement**

The Company has continued to work towards employee engagement through a strategic approach from the Directors and the senior management team. The outline is through the Aalberts "winning with people" values we can build a sustainable future for the business and the workforce.

The Company is committed to promoting policies which ensure that employees and those who seek to work for the Company are covered under an equality policy. The Company gives full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the development of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

Workforce planning, training and succession planning are key to ensuring that we gain, train and retain talent in the business. The Company look to recruit apprentices, graduates (pre and post) and develop internal employees through programmes on and offsite. Digital dynamic appraisals, objectives and upskilling are assessed through our new Performance Hub. Employees that the company wish to develop for top/emerging talent can be nominated for the Aalberts Evolve, Fit, & Connect programme, which is 12 months of coaching/mentoring and onsite development to assist employee's to achieve their goals and become potentially the new managers/high achievers of the future.

Training is an important part of the Company's philosophy across all levels of the business to ensure continuity and enhancement of the Company's skill base and to encourage personal growth which assists staff retention. The philosophy is fully supported by a comprehensive and effective apprentice scheme which provides an outlet to increase knowledge transfer and secure future employees.

The Directors continue to seek new and innovative ways to engage employees and to strive to positively impact the health, safety and wellbeing of its employees.

Through internal communication channels with team briefings, internal screen updates, cross functional team meetings, monthly newsletters and formalised training sessions. The Company utilises the Aalberts network to share best practice and exchange ideas across all types of business forums, including health & safety, operational excellence, environmental and pricing excellence.



# **Pegler Yorkshire Group Limited**

## **Directors' report**

The Company undertakes strategic away days with employees from varying parts of the business to encourage discussions and to give employees the opportunity to understand the impact of key decisions on other areas of the business. The Directors proactively promote opportunities for employees to become involved in strategic projects and to develop new skills as part of the process. All employees are regularly communicated on the core values of the business, which are to be an entrepreneur, take ownership, go for excellence, share and learn and act with integrity.

The Directors take a proactive approach to wellbeing and mental health onsite through an occupational health provision.

The Directors will consider short term and long-term benefits for employees and through integrity, innovation, HRD, performance management & consultation look to build a sustainable plan.

## **Stakeholder engagement**

The Company works closely with its key stakeholders to ensure their views are incorporated in key decisions and that interactive discussions can take place on the direction of the business. Various stakeholders are invited to attend meetings to provide their opinion upon which the Directors are making strategic decisions.

## **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Aalberts France SNC., as the immediate parent of the entity.

Approved by the Board and signed on its behalf by:



Craig Malloy  
Director  
29 September 2020

St Catherine's Avenue, Doncaster, South Yorkshire, DN4 8DF

# **Pegler Yorkshire Group Limited**

## **Directors' responsibilities statement**

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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; and
- 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.

## Pegler Yorkshire Group Limited

### Profit and Loss Account

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	127,814	144,483
Cost of sales		<u>(106,635)</u>	<u>(126,714)</u>
<b>Gross profit</b>		21,179	17,769
Distribution costs		(8,456)	(8,298)
Administrative expenses		<u>(7,181)</u>	<u>(6,386)</u>
<b>Operating profit</b>		5,542	3,085
Finance costs (net)	4	<u>(710)</u>	<u>30</u>
		4,832	3,115
<b>Profit before taxation</b>	5		
Tax on profit	8	<u>(770)</u>	<u>(99)</u>
<b>Profit for the financial year attributable to the equity shareholders of the Company</b>		<u>4,062</u>	<u>3,016</u>

All profits derive from continuing operations. The notes on pages 13 to 35 form an integral part of these financial statements.

## Pegler Yorkshire Group Limited

### Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Profit for the financial year</b>		<u>4,062</u>	<u>3,016</u>
Re-measurement of net defined benefit liability	19	219	(1,093)
Tax relating to components of other comprehensive (expense)/income		<u>(60)</u>	<u>237</u>
<b>Other comprehensive (expense)/income</b>		<u>159</u>	<u>(856)</u>
<b>Total comprehensive income attributable to equity shareholders of the Company</b>		<u><u>4,221</u></u>	<u><u>2,160</u></u>

The notes on pages 13 to 35 form an integral part of these financial statements.

# Pegler Yorkshire Group Limited

## Balance sheet

As at 31 December 2019


	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	10	7,587	8,430
Tangible assets	11	21,061	19,743
Investments	12	-	-
		<u>28,648</u>	<u>28,173</u>
<b>Current assets</b>			
Stocks	13	36,629	37,720
Debtors – due within one year	14	92,373	90,278
Cash at bank and in hand		5,490	12,730
		<u>134,492</u>	<u>140,728</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(61,497)</u>	<u>(69,138)</u>
<b>Net current assets</b>		<u>72,995</u>	<u>71,590</u>
<b>Total assets less current liabilities</b>		<u>101,643</u>	<u>99,763</u>
<b>Provisions for liabilities</b>	16	<u>(1,526)</u>	<u>(1,041)</u>
<b>Net assets excluding pension deficit</b>		<u>100,117</u>	<u>98,722</u>
<b>Pension deficit</b>	19	<u>(28,601)</u>	<u>(29,929)</u>
<b>Net assets including pension deficit</b>		<u><u>71,516</u></u>	<u><u>68,793</u></u>
<b>Capital and reserves</b>			
Called-up share capital	17	55,559	55,559
Share premium account		3	3
Profit and loss account		15,954	13,231
<b>Shareholder's funds</b>		<u><u>71,516</u></u>	<u><u>68,793</u></u>

For the financial year ended 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The member has not required the Company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The financial statements of Pegler Yorkshire Group Limited (registered number 00401507) were approved by the board of directors and authorised for issue on 29 September 2020. They were signed on its behalf by:

  
 Craig Malloy  
 Director

The notes on pages 13 to 35 form an integral part of these financial statements.

## Pegler Yorkshire Group Limited

### Statement of changes in equity

For the year ended 31 December 2019

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2018</b>	55,559	3	13,772	69,334
Profit for the financial year	-	-	3,016	3,016
Re-measurement of net defined benefit liability	-	-	(856)	(856)
<b>Total comprehensive income</b>	-	-	2,160	2,160
Dividends paid on equity shares (note 9)	-	-	(2,701)	(2,701)
<b>At 1 January 2019</b>	55,559	3	13,231	68,793
Profit for the financial year	-	-	4,062	4,062
Re-measurement of net defined benefit liability	-	-	159	159
<b>Total comprehensive income</b>	-	-	4,221	4,221
Dividends paid on equity shares (note 9)	-	-	(1,498)	(1,498)
<b>At 31 December 2019</b>	<u>55,559</u>	<u>3</u>	<u>15,954</u>	<u>71,516</u>

The notes on pages 13 to 35 form an integral part of these financial statements.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### *a. General information and basis of accounting*

Pegler Yorkshire Group Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Pegler Yorkshire Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Pegler Yorkshire Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Pegler Yorkshire Group Limited is consolidated in the financial statements of its parent, Aalberts N.V., which may be obtained at [www.aalberts.com](http://www.aalberts.com). Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Further, the Company is exempt from preparing group consolidated financial statements under Section 401 of the Companies Act 2006.

#### *b. Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the Company's cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's products; (b) the exchange rate between sterling and Euro and Dollar and thus the consequence for the cost of the Company's raw materials; and (c) the availability of bank finance in the foreseeable future.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### c. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. 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.

##### i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those assets classified as fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of the cash or other resources received or receivable, net of direct issue costs.

##### iii) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

##### iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### d. Intangible assets – goodwill

Goodwill arising from any acquisitions and mergers is stated at cost. Amortisation is provided on all goodwill to write off the cost over its useful life, a period of 20 years.



# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### e. *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, and assets that are in the process of construction which are not commissioned for use, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line balance basis over its expected useful life, as follows:

Freehold buildings	20 years
Plant and machinery	3-10 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### f. *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### g. *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### *h. Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the tax rates and allowances that apply to sale of the asset.

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.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### *i. Turnover*

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

# **Pegler Yorkshire Group Limited**

## **Notes to the financial statements**

For the year ended 31 December 2019

### **1. Accounting policies (continued)**

#### ***j. Employee benefits***

Pegler Yorkshire Group Limited participates in Yorkshire Fittings Limited's defined benefit plan. The net defined benefit cost of the plan is recognised in Pegler Yorkshire Group Limited as the group entity legally responsible for the plan. The scheme was closed in December 2010.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

#### ***k. Foreign currency***

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### ***l. Leases***

There are no assets held under finance leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### ***m. Government grants***

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

#### ***n. Research and Development***

Research and Development which is predominantly the costs of the Company's New Product Development team are recognised at cost in the period in which they arise.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the Company's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *Revenue Recognition*

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 *Revenue* and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

#### *Key source of estimation uncertainty*

#### *Impairment of intangible assets*

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

#### *Defined Benefit Pension Scheme*

The Company participates in a defined benefit pension scheme in making its judgement for the calculation of the deficit on the defined benefit pension scheme management discussed the appropriate assumptions required to make such a calculation with the advisors acting as the Company actuary and these detailed assumptions and calculations are described in note 19.

## Pegler Yorkshire Group Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 3. Turnover

An analysis of the Company's turnover by geographical market is set out below.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover:</b>		
United Kingdom	84,378	101,876
Europe	16,396	16,064
Middle East	19,033	17,941
US	814	896
Other	7,193	7,706
	<u>127,814</u>	<u>144,483</u>

An analysis of the Company's revenue is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Sale of goods	<u>127,814</u>	<u>144,483</u>
Turnover	127,814	144,483
Grants	<u>300</u>	<u>300</u>
Total revenue	<u>128,114</u>	<u>144,783</u>

Grants represent amounts received in respect of the SFIE grant to support capital expenditure in the Doncaster plant. The Company has not directly benefited from any other forms of government assistance.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 4. Finance costs (net)

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Interest payable and similar charges	(1,675)	(744)
Investment income	965	774
	<u>(710)</u>	<u>30</u>

#### *Investment income*

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Other interest receivable and similar income	965	774
	<u>965</u>	<u>774</u>

#### *Interest payable and similar charges*

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Net interest on defined benefit liability (note 19)	(825)	(744)
Other Interest	(850)	-
Total	<u>(1,675)</u>	<u>(744)</u>

## Pegler Yorkshire Group Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 5. Profit before taxation

Profit before taxation is stated after charging / (crediting):

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets (note 11)	2,231	2,277
Amortisation of intangible assets (note 10)	843	842
Research and development	633	564
Government grants	(300)	(300)
Operating lease rentals	1,750	1,826
Cost of stock recognised as an expense	86,820	100,034
Foreign exchange (gain)/loss	(63)	335
Commodity hedge derivative loss/(gain)	4	949
Rationalisation costs	810	176

Commodity hedge derivative relate to a hedge placed with BNP Paribas bank for future raw material purchases.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Production	8	8
Sales	49	53
Administration	43	36
	<u>100</u>	<u>97</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,698	4,073
Social security costs	501	426
Other pension costs	305	285
	<u>5,504</u>	<u>4,784</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

### 7. Directors' remuneration and transactions

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b><i>Directors' remuneration</i></b>		
Emoluments	388	506
Company contributions to defined contribution pension scheme	10	20
	<u>398</u>	<u>526</u>
<b><i>Remuneration of the highest paid director</i></b>		
Emoluments	211	182
Company contributions to defined contribution pension scheme	-	12
	<u>211</u>	<u>194</u>



## Pegler Yorkshire Group Limited

### Notes to the financial statements

For the year ended 31 December 2019

#### 8. Tax on profit

The tax charge comprises:

	2019 £'000	2018 £'000
<b>Current tax on profit</b>		
UK corporation tax	24	243
	<u>24</u>	<u>243</u>
Adjustments in respect of prior years		
UK corporation tax	76	(7)
	<u>100</u>	<u>236</u>
<b>Total current tax</b>	100	236
<b>Deferred tax</b>		
Adjustments in respect of prior years	215	57
Origination and reversal of timing differences	455	(215)
Effect of increase in tax rate on opening liability	-	21
	<u>670</u>	<u>(137)</u>
<b>Total deferred tax</b>	670	(137)
<b>Total tax on profit</b>	<u>770</u>	<u>99</u>

The rate of tax applied to reported profit is 19.00% being the average standard full rate of UK corporation tax applicable for the year (2018: 19.00%).

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). They include reductions to the main rate to reduce the rate to 19% from 1 April 2018 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using enacted tax rates reflected in these financial statements.

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 8. Tax on profit (continued)

The difference between the total tax charge shown above and the amount calculated by applying the average standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit before tax</b>	<u>4,832</u>	<u>3,115</u>
Tax on profit at average standard UK corporation tax rate of 19% (2018: 19%)	918	592
Effects of:		
- Expenses not deductible for tax purposes	240	236
- Effect of group relief	321	458
- Adjustments in respect of previous periods	291	50
- Effect of overseas tax rates	(189)	(208)
- Deferred tax not provided	-	(30)
- Other timing differences	163	(42)
- Patent box	(974)	(978)
- Effects of changes to tax rates	-	21
<b>Total tax charge for year</b>	<u>770</u>	<u>99</u>

### 9. Dividends on equity shares

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Final Dividend paid during the year ended 31 December 2019 of 2.72p (2018: 4.91p) per ordinary share.	<u>1,498</u>	<u>2,701</u>
	<u>1,498</u>	<u>2,701</u>

The proposed final dividend for year end 31 December 2019, payable in 2020 is £2,030,000, this is subject to approval by the shareholders and has not been included as a liability in these financial statements.

## Pegler Yorkshire Group Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 10. Intangible fixed assets

	<b>Goodwill 2019 £'000</b>
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	16,857
<b>Amortisation</b>	
At 1 January 2019	8,427
Charge for the year	843
At 31 December 2019	9,270
<b>Net book value</b>	
At 31 December 2019	7,587
At 31 December 2018	8,430

Intangible assets represent goodwill following the transfer of the trade and current assets of Pegler Limited, a fellow group company, in 2009. The employees and tangible fixed assets remained with Pegler Limited.

## Pegler Yorkshire Group Limited

### Notes to the financial statements

For the year ended 31 December 2019

#### 11. Tangible fixed assets

	<b>Land and Buildings Freehold £'000</b>	<b>Plant and machinery £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2019	1,104	30,122	4,944	36,170
Additions	-	122	3,516	3,638
Disposals	-	(355)	-	(355)
Transfers	681	3,864	(4,545)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	1,785	33,753	3,915	39,453
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation</b>				
At 1 January 2019	435	15,992	-	16,427
Charge for the year	60	2,171	-	2,231
Disposals	-	(266)	-	(266)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	495	17,897	-	18,392
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>				
At 31 December 2018	669	14,130	4,944	19,743
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	1,290	15,856	3,915	21,061
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Pegler Yorkshire Group Limited

### Notes to the financial statements

For the year ended 31 December 2019

#### 12. Fixed asset investments

	2019	2018
	£	£
Subsidiary undertakings	1	1

The carrying value is equal to the cost.

#### *Investments*

The Company has investments in the following subsidiary undertakings, associates and other significant investments.

	Registered office	Principal activity	Holding	%
Subsidiary undertakings				
Yorkshire Fittings Distribution Limited	St Catherines Ave, Doncaster, United Kingdom	Distribution	Ordinary Shares	100

Subsidiary undertakings have not been consolidated by Pegler Yorkshire Group Limited as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of Aalberts N.V..

#### 13. Stocks

	2019	2018
	£'000	£'000
Raw materials and consumables	6,654	6,505
Work in progress	4,586	4,695
Finished goods and goods for resale	25,389	26,520
	<u>36,629</u>	<u>37,720</u>

Stocks are deemed to be held at the lower of cost and recoverable amount. In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost.

## Pegler Yorkshire Group Limited

### Notes to the financial statements

For the year ended 31 December 2019

#### 14. Debtors due within one year

	2019 £'000	2018 £'000
Trade debtors	26,517	20,724
Amounts owed by group undertakings	59,646	62,228
Commodity hedge derivative	-	-
Prepayments and accrued income	1,314	2,140
Deferred tax	4,896	5,186
	<u>92,373</u>	<u>90,278</u>

Debtors includes £nil (2018: £nil) in relation to commodity hedge's placed with BNP Paribas, London and Rabobank, Netherlands. The value is based upon the MTM valuation at 31 December 2019. Amounts owed by group undertakings include trading debts of £210k and a deposit to Aalberts Finance of £59,436k which is repayable on demand and attracts interest at 1% above 1 month LIBOR. The deferred tax asset relates solely to the pension deficit.

#### 15. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	27,740	34,284
Amounts owed to group undertakings	22,413	22,832
Corporation tax	3,171	3,062
Other taxation and social security	4,321	5,542
Government grants	762	1,062
Accruals and deferred income	2,942	2,240
Commodity hedge derivative	17	13
Defined contribution pension scheme accrual	131	103
	<u>61,497</u>	<u>69,138</u>

Amounts owed to group undertakings represent normal trading creditors, being unsecured, interest free and repayable on demand. Creditors includes £17k (2018: £13k) in relation to commodity hedge's placed with BNP Paribas, London and Rabobank, Netherlands. The value is based upon the MTM valuation at 31 December 2019.

# Pegler Yorkshire Group Limited

## Notes to the financial statements For the year ended 31 December 2019

### 16. Provisions for liabilities

	<b>Deferred taxation £'000</b>
At 1 January 2019	1,041
Debited to profit and loss account	485
	<hr/>
<b>At 31 December 2019</b>	<b>1,526</b>
	<hr/> <hr/>

#### *Deferred tax*

Deferred tax is provided as follows:

	<b>2019 £'000</b>	<b>2018 £'000</b>
Accelerated capital allowances	57	70
Other timing differences	1,469	971
	<hr/>	<hr/>
<b>Provision for deferred tax</b>	<b>1,526</b>	<b>1,041</b>
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). They include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. As the changes had been substantively enacted at the balance sheet date their effects are included in these financial statements and accordingly deferred tax has been measured using enacted tax rates based on the expected timing of the reversal of the Company's timing differences.

# Pegler Yorkshire Group Limited

## Notes to the financial statements For the year ended 31 December 2019

### 17. Called-up share capital and reserves

	2019 £'000	2018 £'000
Allotted, called-up and fully-paid		
55,009,000 ordinary shares of £1 each	55,009	55,009
550,087 preference shares of £1 each	550	550
Total	<u>55,559</u>	<u>55,559</u>

	2019 £'000	2018 £'000
Authorised:		
5,000 3.5% (2018: 3.5%) redeemable cumulative preference shares of £1 each	<u>5</u>	<u>5</u>

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

*The Company's other reserves are as follows:*

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

### 18. Financial commitments

Capital commitments are as follows:

	2019 £'000	2018 £'000
Contracted for but not provided for		
- Plant and machinery capital commitments	<u>387</u>	<u>1,095</u>

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	983	307	831	669
- between one and five years	4,915	417	3,322	1,013
- after five years	3,875	-	4,947	7
	<u>9,773</u>	<u>724</u>	<u>9,100</u>	<u>1,689</u>



# Pegler Yorkshire Group Limited

## Notes to the financial statements For the year ended 31 December 2019

### 19. Employee benefits

#### *Defined contribution schemes*

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2019 was £222k (2018: £193k).

#### *Defined benefit schemes*

The Company operates a defined benefit scheme in the UK. The Company closed the scheme to future accrual from 31 December 2010. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 March 2018 and the preliminary results were updated to 31 December 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

#### **Present values of defined benefit obligation, fair value of assets and defined benefit liability**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	87,850	76,521
Present value of defined benefit obligation	(116,451)	(106,450)
Deficit in plan	(28,601)	(29,929)
Deferred tax	4,896	5,186
Net defined benefit liability to be recognised	(23,705)	(24,743)

# Pegler Yorkshire Group Limited

## Notes to the financial statements

For the year ended 31 December 2019

### 19. Employee benefits (continued)

#### Reconciliation of opening and closing balances of the defined benefit obligation

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation at start of year	106,450	115,269
Expenses	156	134
Interest expense	2,981	2,866
Actuarial loss/(gains)	10,711	(5,936)
Benefits paid and expenses	(3,847)	(5,883)
Defined benefit obligation at end of year	<u>116,451</u>	<u>106,450</u>

#### Reconciliation of opening and closing balances of the fair value of plan assets

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at start of year	76,521	85,003
Interest income	2,156	2,122
Actuarial gains/(losses)	10,930	(7,029)
Contributions by the company	2,090	2,308
Benefits paid and expenses	(3,847)	(5,883)
Fair value of plan assets at end of year	<u>87,850</u>	<u>76,521</u>

The actual return on the plan assets over the year ended 31 December 2019 was £13,086k (2018: £4,907k).

# Pegler Yorkshire Group Limited

## Notes to the financial statements For the year ended 31 December 2019

### 19. Employee benefits (continued)

#### Defined benefit costs recognised in profit or loss

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Expenses	156	134
Net interest cost	825	744
Defined benefit costs recognised in profit and loss account	981	878

#### Defined benefit costs recognised in other comprehensive income

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Return on plan assets (excluding amounts included in net interest cost) – gain	10,930	(7,029)
Experience gains arising on the plan liabilities	(236)	(181)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain	(10,475)	6,117
Total amount recognised in other comprehensive income – (loss)/gain	219	(1,093)

#### Assets

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	26,556	19,675
Overseas Equities	37,490	27,957
Corporate Bonds	1,960	2,467
LDI	18,116	23,926
Property	675	541
Alternative Assets	2,186	-
Cash	867	1,955
Total assets	87,850	76,521

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

## Pegler Yorkshire Group Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 19. Employee benefits (continued)

##### Assumptions

	2019	2018
	£'000	£'000
Discount Rate	2.05	2.85
Inflation (RPI)	2.75	3.15
Inflation (CPI)	1.95	2.15
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.75	3.15
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	1.95	2.15
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	1.95	2.15
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.70	3.00
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.00	2.20
Allowance for pension in payment increases of CPI or 3% p.a. if less	1.80	1.90
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	1.60	1.70
Allowance for commutation of pension for cash at retirement	25% of pension Commuted	25% of pension commuted

The mortality assumptions adopted at 31 December 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	19.9
Female retiring in 2019	21.8
Male retiring in 2037	21.0
Female retiring in 2037	23.1

The best estimate of contributions to be paid by the Company to the scheme for the year commencing 1 January 2019 is £2,230k (2018: £2,302k).

#### 20. Related party transactions

The Company is exempt under the terms of section 33 of FRS102 from disclosing related party transactions with entities that are part of, or investees in, the Aalberts N.V. Group. There were no transactions with other related parties during the year.

# **Pegler Yorkshire Group Limited**

## **Notes to the financial statements**

For the year ended 31 December 2019

### **21. Controlling party**

The Company's immediate parent undertaking is Aalberts France SNC, a company incorporated in the France.

The ultimate parent undertaking and controlling party is Aalberts N.V., which is a company incorporated in the Netherlands and is the parent undertaking of the smallest and largest Group to consolidate these financial statements. The consolidated financial statements of this Company are available to the public and may be obtained from:

Aalberts N.V.  
World Trade Center  
PO Box 1218  
NL – 3500 BE  
Utrecht  
The Netherlands.