

Registered number: 02666902

CLARENDON SPECIALTY FASTENERS LIMITED
(Formerly Specialty Fasteners Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016



CLARENDON SPECIALTY FASTENERS LIMITED

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CLARENDON SPECIALTY FASTENERS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

Principal activity and future developments

The principal activity of the Company is the distribution of fastener products. The Company has had a successful period of trading, and it is anticipated that this will continue in the future.

Business review

The Company is managed as part of an overall group of companies whose ultimate parent company is Diploma PLC ("the Group"). The Directors report revenue for the year ended 30 September 2016 of £18,407,000 (2015: £12,186,000) and an increase in operating profit from £2,313,000 to £3,720,000. The profit and loss account shows profit on ordinary activities after taxation of £2,970,000 (2015: £1,898,000 restated). The improvement in revenue is reflective of a full year of revenue following the acquisition of the Fasteners division from IS-Rayfast Limited on 1 January 2015. Overall, the underlying performance of the Company has improved, boosted by specific projects related to Aerospace.

Subsequent to the financial year end the Company name has been legally changed from Specialty Fasteners Limited to Clarendon Specialty Fasteners Limited.

The principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately. The Group manages its funding and liquidity risks on a consolidated basis, as referred to in the accounting policies. Full disclosure of the Group's financial risk management policies are set out in the consolidated financial statements of Diploma PLC which are prepared under International Financial Reporting Standards.

The matters required to be discussed in the Business Review, which include the key performance indicators and principal risks and uncertainties, are set out in the Annual Report of Diploma PLC on pages 22 to 33. A copy of this is available from the website at www.diplomaplc.com or can be obtained from the Group Secretary, Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.


Financial key performance indicators

The Directors monitor and manage the performance of the Company assisted by the production of detailed monthly management reports containing accounts and a number of key financial and non-financial measures including profit margins, working capital levels, cash flows and return on average operating capital.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have assessed the relevant factors surrounding going concern and conclude that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the annual report and financial statements have been prepared on a going concern basis.

This report was approved by the board on 6 March 2017 and signed on its behalf.



J R Hunt
Director

CLARENDON SPECIALTY FASTENERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

The Directors present their annual report and the financial statements for the year ended 30 September 2016. An indication of future developments of the Company and details of the use of the going concern assumption are included in the Strategic Report. The Company is a wholly owned subsidiary of Diploma PLC ("the Group").

Results and dividends

The profit for the year, after taxation, amounted to £2,970,000 (2015: £1,898,000).

A interim dividend of £2,000,000 (2015: Nil) was paid during the year. The Directors do not recommend a final dividend (2015: Nil).

Directors

The Directors who served during the year were:

J R Hunt
I Henderson (resigned 31 March 2016)
K J Clapp (resigned 10 December 2015)
B M Thompson (appointed 31 March 2016)
N P Lingwood (appointed 31 March 2016)

Except as noted above, all Directors served throughout the year and are still Directors at the date of this report.

Disclosure of information to auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 6 March 2017 and signed on its behalf.



J R Hunt
Director

12 Charterhouse Square
London
EC1M 6AX

CLARENDON SPECIALTY FASTENERS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments 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.

CLARENDON SPECIALTY FASTENERS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CLARENDON SPECIALTY FASTENERS LIMITED

We have audited the financial statements of Clarendon Specialty Fasteners Limited for the year ended 30 September 2016, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 Financial Reporting Council'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 30 September 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 matter prescribed by the Companies Act 2006

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

CLARENDON SPECIALTY FASTENERS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CLARENDON SPECIALTY
FASTENERS LIMITED (CONTINUED)

Matters on which we are required to report by exception

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.



Sonya Butters (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

Chartered accountant and statutory auditor
Bristol, UK

8 March 2017

CLARENDON SPECIALTY FASTENERS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 £000	2015 £000
Revenue	4	18,407	12,186
Cost of sales		(13,569)	(9,237)
Gross profit		4,838	2,949
Distribution costs		(192)	(139)
Administrative expenses		(926)	(497)
Operating profit	5	3,720	2,313
Tax on profit on ordinary activities	9	(750)	(415)
Profit for the year		2,970	1,898

There were no items of comprehensive income for 2016 or 2015 other than those included in the profit and loss account, and thus no separate statement of other comprehensive income has been prepared.

The notes on pages 9 to 23 form part of these financial statements.

All amounts relate to continuing operations.

CLARENDON SPECIALTY FASTENERS LIMITED
REGISTERED NUMBER: 02666902

BALANCE SHEET
AS AT 30 SEPTEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Goodwill	11	3,934	3,934
Tangible assets	12	368	226
Investments		1	-
		<u>4,303</u>	<u>4,160</u>
Current assets			
Stocks	14	4,052	4,383
Debtors: amounts falling due within one year	15	3,244	2,405
Cash at bank and in hand		495	596
		<u>7,791</u>	<u>7,386</u>
Creditors: amounts falling due within one year	16	(6,405)	(6,827)
Net current assets		<u>1,386</u>	<u>559</u>
Total assets less current liabilities		<u>5,689</u>	<u>4,719</u>
Net assets		<u>5,689</u>	<u>4,719</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account		5,689	4,719
Shareholder's funds		<u>5,689</u>	<u>4,719</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 March 2017.



J R Hunt
 Director

The notes on pages 9 to 23 form part of these financial statements.

CLARENDON SPECIALTY FASTENERS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Called up share capital £000	Profit and loss account £000	Shareholder's funds £000
At 1 October 2014	-	2,821	2,821
Profit for the year	-	1,898	1,898
Total comprehensive income for the year	-	1,898	1,898
At 1 October 2015	-	4,719	4,719
Profit for the year	-	2,970	2,970
Total comprehensive income for the year	-	2,970	2,970
Dividends (Note 10)	-	(2,000)	(2,000)
At 30 September 2016	-	5,689	5,689

The notes on pages 9 to 23 form part of these financial statements.

CLARENDON SPECIALTY FASTENERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. General information

The Company is incorporated and domiciled in England and Wales. The address of the registered office is 12 Charterhouse Square, London, EC1M 6AX. The Company's financial statements are presented in UK sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in Note 21.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The transition to FRS 101 from extant UK GAAP has not required any material measurement and recognition adjustments to previously reported equity, net assets or profit after taxation other than the adjustment described in Note 21. As the consolidated financial statements of Diploma PLC include the equivalent disclosures, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- A Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- A comparative period reconciliation for share capital as required by IAS 1 'Presentation of Financial Statements';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- An additional Statement of Financial Position for the beginning of the earliest comparative period as required by paragraphs 6 and 21 of IFRS 1 'First-time Adoption of International Financial Reporting Standards';
- Disclosures in respect of the compensation of Key Management Personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'; and
- Disclosure requirements of 91 to 99 of IFRS 13 'Fair Value Measurement' and by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening balance sheet at 1 October 2014 for the purposes of the transition to FRS 101.

The financial statements contain information about Clarendon Specialty Fasteners (formerly Specialty Fasteners Ltd) as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Diploma PLC, a company registered in England and Wales.

CLARENDON SPECIALTY FASTENERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.2 Going concern

The Company remains profitable, cash generative, in a strong net assets position and has no external debt. As such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have assessed the relevant factors surrounding going concern and conclude that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

The Group manages its funding and liquidity risks on a consolidated basis. Additional information is included in the consolidated financial statements of Diploma PLC.

2.3 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given and liabilities assumed.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to the profit and loss account.

Goodwill was previously amortised under UK GAAP but from 1 October 2014 goodwill is no longer amortised.

2.4 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

CLARENDON SPECIALTY FASTENERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.4 Tangible assets (continued)

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

The estimated useful lives range as follows:

Plant and machinery	- 33%
Motor vehicles	- 25%
Fixtures and fittings	- 10% - 33%
Computer equipment	- 25% - 33%
Leasehold improvements	- 14%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

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

2.8 Dividends

Equity dividends are recognised when they become legally payable.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is UK Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

2.10 Operating leases

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

2.11 Pension costs

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet.

CLARENDON SPECIALTY FASTENERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- ∞ The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- ∞ Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

The application of the Company's accounting policies requires the use of management judgement and estimation, which often involves assumptions regarding future events which can vary from what is anticipated. The key sources of estimation at the balance sheet date that have risk of causing material adjustment to the carrying amounts of assets and liabilities are set out below. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position.

Recoverability of intangible assets

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. No impairments were identified in the current or prior year.

Inventory provisions

In the course of normal trading activities, judgement is used to establish the net realisable value of various elements of working capital, principally inventory. Impairment charges are made against obsolete or slow moving inventories. The decision to make an impairment charge is based on the facts available at the time the financial statements are approved and is also determined by using profiles, based on past practice, applied to certain aged inventory.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

4. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is attributable to one principal activity of the Company.

Analysis of revenue by country of destination:

	2016	<i>2015</i>
	£000	<i>£000</i>
United Kingdom	11,998	<i>8,574</i>
Rest of Europe	4,375	<i>2,634</i>
Rest of the world	2,033	<i>976</i>
	18,406	<i>12,186</i>

5. Operating profit

The operating profit is stated after charging / (crediting):

	2016	<i>2015</i>
	£000	<i>£000</i>
Depreciation of tangible fixed assets	81	<i>56</i>
Foreign exchange losses / (gains)	10	<i>(10)</i>
Defined contribution pension cost	92	<i>56</i>
Cost of stocks recognised as an expense	255	<i>350</i>
Operating lease payments	90	<i>55</i>

6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2016	<i>2015</i>
	£000	<i>£000</i>
Fees for the audit of the Company	6	<i>6</i>
	6	<i>6</i>

There were no non audit services provided to the Company.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

7. Employees

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

	2016	<i>2015</i>
	£000	<i>£000</i>
Wages and salaries	2,190	<i>1,260</i>
Social security costs	198	<i>125</i>
Company contributions to defined contribution pension scheme	92	<i>58</i>
	2,480	<i>1,443</i>

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

	2016	<i>2015</i>
	No.	<i>No.</i>
Administration, sales and distribution	61	<i>53</i>

8. Directors' remuneration

	2016	<i>2015</i>
	£000	<i>£000</i>
Directors' emoluments	184	<i>-</i>
Company contributions to defined contribution pension scheme	15	<i>-</i>
	199	<i>-</i>

During the year retirement benefits were accruing to 1 Director (*2015: Nil*) in respect of defined contribution pension schemes.

One Director received emoluments during the year in respect of their services to the Company (*2015: Nil*). The other Directors were all remunerated by other Group companies and their remuneration is disclosed in the financial statements of those companies.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

9. Taxation

	2016	<i>2015</i>
	£000	<i>£000</i>
Corporation tax		
Current tax on profits for the year	751	<i>422</i>
Total current tax	751	<i>422</i>
Deferred tax		
Origination and reversal of timing differences	(1)	<i>(7)</i>
Total deferred tax	(1)	<i>(7)</i>
Taxation on profit on ordinary activities	750	<i>415</i>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (*2015 - lower than*) the standard rate of corporation tax in the UK of 20% (*2015: 20.5%*). The differences are explained below:

	2016	<i>2015</i>
	£000	<i>£000</i>
Profit on ordinary activities before tax	3,720	<i>2,313</i>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (<i>2015: 20.5%</i>)	744	<i>474</i>
Effects of:		
Capital allowances for year in excess of depreciation	-	<i>3</i>
Short term timing difference leading to an increase (decrease) in taxation	7	<i>(55)</i>
Origination and reversal of timing differences	(1)	<i>(7)</i>
Total tax charge for the year	750	<i>415</i>

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

9. Taxation (continued)

Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The 2015 summer budget stated that the rate of corporation tax will be reduced from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. This change received Royal Assent on 18 November 2015. Subsequently, the 2016 Budget stated that from 1 April 2020 the rate will instead reduce to 17%. This change received Royal Assent on 15 September 2016.

Deferred tax balances have been measured at a rate of 17%, being the rate substantively enacted at the balance sheet date.

10. Dividends

	2016	<i>2015</i>
	£000	<i>£000</i>
Ordinary		
Dividends	2,000	-

Dividends of £20,000 per ordinary share (2015: Nil) were paid during the year.

11. Goodwill

	£000
Cost and Net book value	
At 30 September 2016	3,934
<i>At 30 September 2015</i>	<i>3,934</i>

Goodwill is tested for impairment annually. The impairment test requires a "value in use" valuation to be prepared using discounted cash flow forecasts. The cash flow forecasts are based on a combination of annual budget and the Company's strategic plan which is aligned with that of the Group. Beyond five years, cash flow projections utilise a perpetuity growth rate of 2%.

The key assumptions used to prepare the cash flow forecasts relate to gross margins, revenue growth rates and the discount rate. The gross margins are assumed to remain sustainable, which is supported by historical experience; revenue growth rates generally approximate to the long term average rates for the markets in which the business operates. The annual growth rate used in the cash flow forecast for the next five years represents the budgeted rates for 2017 and thereafter, average growth rates; these annual growth rates then reduce to 2% over the longer term.

Based on the criteria set out above, no impairment in the value of goodwill was identified.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

12. Tangible assets

	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost					
At 1 October 2015	-	5	30	249	284
Additions	124	3	-	57	184
Transfers intra group	16	-	-	49	65
Disposals	(16)	-	(25)	(1)	(42)
At 30 September 2016	<u>124</u>	<u>8</u>	<u>5</u>	<u>354</u>	<u>491</u>
Depreciation					
At 1 October 2015	-	5	11	42	58
Charge for the period on owned assets	3	-	8	69	80
Disposals	-	-	(14)	(1)	(15)
At 30 September 2016	<u>3</u>	<u>5</u>	<u>5</u>	<u>110</u>	<u>123</u>
Net book value					
At 30 September 2016	<u>121</u>	<u>3</u>	<u>-</u>	<u>244</u>	<u>368</u>
<i>At 30 September 2015</i>	<u>-</u>	<u>-</u>	<u>19</u>	<u>207</u>	<u>226</u>

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

13. Investments

	Investments in subsidiary companies £000
Cost	
Additions	1
At 30 September 2016	<u>1</u>
Net book value	
At 30 September 2016	<u>1</u>
<i>At 30 September 2015</i>	<u>-</u>

Dormant subsidiaries previously held by the immediate parent company have been transferred to the Company as part of a Group reorganisation. Amounts have been transferred at cost.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Amfast Ltd	Ordinary	100 %	Dormant
Clarendon Engineering Supplies Ltd	Ordinary	100 %	Dormant
Specialty Fasteners and Components Ltd	Ordinary	100 %	Dormant
Specialty Fasteners Ltd (formerly Clarendon Specialty Fasteners Ltd)	Ordinary	100 %	Dormant

CLARENDON SPECIALTY FASTENERS LIMITED

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14. Stocks

	2016	<i>2015</i>
	£000	<i>£000</i>
Finished goods held for resale	4,052	<i>4,385</i>
	4,052	<i>4,385</i>

There is no material difference between the balance sheet value of stocks and their replacement cost.

15. Debtors

	2016	<i>2015</i>
	£000	<i>£000</i>
Trade debtors	3,157	<i>2,354</i>
Amounts owed by group undertakings	2	<i>-</i>
Other debtors	22	<i>11</i>
Prepayments and accrued income	50	<i>26</i>
Deferred taxation (Note 16)	13	<i>12</i>
	3,244	<i>2,405</i>

All amounts are due within one year, are repayable on demand and non-interest bearing.

16. Creditors

	2016	<i>2015</i>
	£000	<i>£000</i>
Trade creditors	2,218	<i>1,254</i>
Amounts owed to group undertakings	3,087	<i>4,741</i>
Corporation tax	410	<i>306</i>
Taxation and social security	155	<i>296</i>
Other creditors	62	<i>46</i>
Accruals and deferred income	473	<i>184</i>
	6,405	<i>6,827</i>

All amounts due within one year, are repayable on demand and non-interest bearing.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. Deferred taxation

	2016	<i>2015</i>
	£000	<i>£000</i>
At 1 October	12	-
Charged to profit or loss	1	7
Arising on acquisition	-	5
At 30 September	13	<i>12</i>

The deferred tax asset is made up as follows:

	2016	<i>2015</i>
	£000	<i>£000</i>
Accelerated capital allowances	8	6
Short term timing differences	5	4
	13	<i>12</i>

The deferred tax asset is recognised on the basis of an expectation of sufficient future profits in the short term against which future reversal of the timing difference may be deducted.

18. Share capital

	2016	<i>2015</i>
	£	<i>£</i>
Authorised, allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	<i>100</i>

CLARENDON SPECIALTY FASTENERS LIMITED

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19. Commitments under operating leases

At 30 September 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	<i>2015</i>
	£000	<i>£000</i>
Land and buildings		
Not later than 1 year	22	<i>16</i>
Later than 1 year and not later than 5 years	11	<i>26</i>
	33	<i>44</i>
	2016	<i>2015</i>
	£000	<i>£000</i>
Other		
Not later than 1 year	36	<i>21</i>
Later than 1 year and not later than 5 years	53	<i>20</i>
	89	<i>41</i>

20. Controlling party

The immediate parent undertaking is Pride Limited.

The Company's ultimate parent undertaking and ultimate controlling party is Diploma PLC, a company incorporated in Great Britain and registered in England and Wales, which is the smallest and largest group into which the results of Clarendon Specialty Fasteners Limited (formerly Specialty Fasteners Limited) are consolidated. Copies of the Group's financial statements are available from the Group Company Secretary, Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

CLARENDON SPECIALTY FASTENERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

21. First time adoption of FRS 101

The Company transitioned to FRS 101 from previously extant UK GAAP as at 1 October 2014. The impact of the transition to FRS 101 is as follows:

Reconciliation of equity at 1 October 2014

Equity at 1 October 2014 under previous UK GAAP	£000 2,821
	<hr/>
Equity shareholders funds at 1 October 2014 under FRS 101	2,821
	<hr/> <hr/>

Reconciliation of equity at 30 September 2015

Equity at 30 September 2015 under previous UK GAAP	£000 4,052
Transitional adjustment 1	667
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Equity shareholders funds at 30 September 2015 under FRS 101	4,719
	<hr/> <hr/>

Reconciliation of profit and loss account for the year ended 30 September 2015

Profit for the year under previous UK GAAP	£000 1,231
Transitional adjustment 1	667
	<hr/>
Profit for the year ended 30 September 2015 under FRS 101	1,898
	<hr/> <hr/>

The following were changes in accounting policies arising from the transition to FRS 101:

- 1 Goodwill has been held at the acquired cost recognised at 1 January 2015 and no subsequent amortisation has been charged to the profit and loss account. The adjustment of £667,000 is the amortisation that had been charged for the 2015 period. Overall, the tax impact of the adjustment is Nil.