Financial Statements
Hospital Metalcraft Limited

For the year ended 30 September 2016

Registered number: 00524837

Company Information

Directors	S A Davis M K Davis A Y Davis A C Hurley I K Farnfield A I B Smith K Majury (appointed 1 October 2015)
Company secretary	A I B Smith
Registered number	00524837
Registered office	Blandford Heights Blandford Forum Dorset DT11 7TG
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Dorset Street Southampton Hampshire SO15 2DP
Bankers	HSBC Bank plc 17 Market Place Blandford Forum DT11 7AG
Solicitors	Humphries Kirk 3 Acorn Business Park Ling Road Poole BH12 4NZ

Contents

Strategic report
For the year ended 30 September 2016

Business review

The mission of Hospital Metalcraft Limited ("the Company") is the design, development, manufacture and distribution of high quality innovative healthcare furniture and equipment with a vision of being the recognised market leader in every sector that it enters.

Sales for the year-ended 30 September 2016 fell in the UK and overseas in the absence of significant capital business. The Company's performance remained robust as underlined by its key financial performance indicators of return on sales 20.8% (prior year 21.4%) , stock turns as a factor of sales 36 (prior year 37) and return on operating assets at the year end 58.9% (prior year 68.8%) which exceeded internal targets set by the Company for the year.

The Company faces a number of challenges.

The Company's principal market is UK public healthcare which remains particularly challenging in an environment of budgetary constraint, constant re-organisation coupled with an absence of significant capital expenditure.

The wider economic and political outlook is also very uncertain. Tightening energy, commodity and labour markets will have an impact upon the Company's cost base after several benign years. The opportunity for the Company to pass on these cost increases to our principal customers is not however available.

Over the longer term however there will be an increasing demand for healthcare services in the UK as the population ages which will provide the opportunity for growth for the Company in the longer term. Current sterling exchange rate weakness will also provide opportunities for export growth.

As the UK's leading innovative healthcare furniture and equipment provider the Company is intent on ensuring that the needs of the UK healthcare market are continued to be met by delivering a range of quality value engineered product through continued investment in its internal engineering resource.

The year ended 30 September 2016 saw the roll out of the Basics Range. These are selected core products which have been re-designed and engineered to reduce cost to the customer but importantly offer the same long lifecycles that the Bristol MaidTM brand has become renowned for. This is part of a planned rolling programme of product development which will complement as well as build upon the Company's existing market position.

The Company is committed to value creation by in-house manufacture in the UK which embodies a lean manufacturing culture in which all staff are encouraged to contribute to the success of the Company.

Principal risks and uncertainties

The principal risk and uncertainty facing the Company remains its dependence on the UK public healthcare market.

As part of its strategy the Company is seeking to minimise this risk by diversifying into new segments of this core market, by the introduction of its Basics Range, as well as other geographical and product markets.

The Company has also some well established and valued trading relationships with distributors in the European Union. While the implications of the UK Referendum vote on any future sales to the European Union have still to be understood they are not considered to be significant to the Company's overall position.

The Company's position at the end of the year is a strong one with sufficient cash resources to finance the Company's strategy of investment in its plant and machinery capabilities, new processes and product ranges as well as its people.

Strategic report
For the year ended 30 September 2016

Financial risk management objectives and policies

The company uses various financial instruments including loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of the financial instruments exposes the company to a number of financial risks which are described in more detail below. The directors review and agree policies for managing each of these risks and these policies have remained unchanged from previous years.

Credit Risk
In order to manage credit risk, where appropriate, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with the debt ageing and collection history.

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet operational needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through its overdraft facilities.

Financial and other key performance indicators

Key performance indicators measured by the company have been disclosed in the business review.

This report was approved by the board on 17 January 2017 and signed on its behalf.

S A Davis
Director

Directors' report

For the year ended 30 September 2016

The directors present their report and the financial statements for the year ended 30 September 2016.

Principal activity

The company is principally engaged in the manufacture of hospital furniture and equipment.

Results and dividends

The profit for the year, after taxation, amounted to £3,021,078 (2015 - £3,268,084).

Particulars of dividends paid are detailed in note 11 of these financial statements

Directors

The directors who served during the year were:

S A Davis
M K Davis
A Y Davis
A C Hurley
I K Farnfield
A I B Smith
K Majury (appointed 1 October 2015)

Directors share interests

	Ordinary £1 Shares 2016	Ordinary £1 Shares 2015
M K Davis	9,631	9,631
A Y Davis	2,099	2,099
S A Davis	1,374	1,374

In addition, 1,729 10p shares and 910 Ordinary £1 shares are held in a trust where M K Davis is the trustee. 561 Ordinary 10p shares and 910 Ordinary £1 shares are held in a trust where A Y Davis is the trustee. 1,374 ordinary £1 shares are held in a trust where S A Davis is a trustee.

Directors' report (continued)

For the year ended 30 September 2016

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

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. This report also sets out the company objectives, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The company has considerable financial resources and continues to trade profitably. As a consequence, the directors believe that the company is well placed to manage its business roisks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operation excistence for the forseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Matters covered in the strategic report

Key performance indicators and a business review for the period ending 30 September 2016 are disclosed in the strategic report as required by s414C(11).

Research and development activities

The company continues to invest in the quality and design of products. Continued investment in research and development is fundamental to the continuing growth of the business.

Directors' report (continued)
For the year ended 30 September 2016

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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 January 2017 and signed on its behalf.

S A Davis
Director

Grant Thornton

Independent auditor's report to the members of Hospital Metalcraft Limited

We have audited the financial statements of Hospital Metalcraft Limited for the year ended 30 September 2016, which comprise the Profit and loss account, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 those financial statements.

GrantThornton

Independent auditor's report to the members of Hospital Metalcraft 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.

Grant Thornton UK LLP

Amanda James (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

No 1 Dorset Street
Southampton
Hampshire
SO15 2DP

18 January 2017

Profit and loss account

For the year ended 30 September 2016

	Note	2016 £	2015 £
Turnover	4	**17,596,899**	19,087,030
Cost of sales		**(9,830,680)**	(10,915,689)
Gross profit		**7,766,219**	8,171,341
Distribution costs		**(2,084,363)**	(2,200,458)
Administrative expenses		**(2,020,432)**	(1,878,480)
Fair value movements		**47,615**	22,993
Operating profit	5	**3,709,039**	4,115,396
Interest receivable and similar income	9	**18,295**	13,196
Profit before tax		**3,727,334**	4,128,592
Tax on profit	10	**(706,256)**	(860,508)
Profit for the year		**3,021,078**	3,268,084

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

Hospital Metalcraft Limited
Registered number:00524837

Balance sheet
As at 30 September 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	12		**6,497,232**		6,719,491
Current assets					
Stocks	13	**491,857**		516,644	
Debtors: amounts falling due within one year	14	**2,425,243**		2,238,293	
Current asset investments	15	**719,780**		672,165	
Cash at bank and in hand		**5,785,002**		5,190,793	
		9,421,882		8,617,895	
Creditors: amounts falling due within one year	16	**(3,592,871)**		(3,943,962)	
Net current assets			**5,829,011**		4,673,933
Total assets less current liabilities			**12,326,243**		11,393,424
Provisions for liabilities					
Deferred taxation	17	**(276,155)**		(295,452)	
Other provisions	18	**(10,000)**		(48,778)	
			(286,155)		(344,230)
Net assets			**12,040,088**		11,049,194
Capital and reserves					
Called up share capital	19		**16,257**		16,257
Capital redemption reserve	20		**16,028**		16,028
Profit and loss account	20		**12,007,803**		11,016,909
Shareholders' funds			**12,040,088**		11,049,194

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 January 2017.

S A Davis
Director

The notes on pages 12 to 26 form part of these financial statements.

Statement of changes in equity
For the year ended 30 September 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2015	16,257	16,028	11,016,909	11,049,194
Profit for the year	-	-	3,021,078	3,021,078
Dividends	-	-	(2,030,184)	(2,030,184)
At 30 September 2016	16,257	16,028	12,007,803	12,040,088

Statement of changes in equity
For the year ended 30 September 2015

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2014	16,257	16,028	9,779,009	9,811,294
Profit for the year	-	-	3,268,084	3,268,084
Dividends	-	-	(2,030,184)	(2,030,184)
At 30 September 2015	16,257	16,028	11,016,909	11,049,194

The notes on pages 12 to 26 form part of these financial statements.

Statement of cash flows

For the year ended 30 September 2016

	2016	2015
	£	£
Cash flows from operating activities		
Profit for the financial year	**3,021,078**	3,268,084
Adjustments for:		
Depreciation of tangible assets	**466,161**	466,257
(Profit)/loss on disposal of tangible assets	**(7,450)**	317
Interest received	**(18,295)**	(13,196)
Taxation charge	**706,256**	860,508
Decrease in stocks	**24,787**	96,575
(Increase) in debtors	**(186,950)**	(228,255)
(Decrease)/increase in creditors	**(330,491)**	131,779
(Decrease) in provisions	**(38,778)**	(771)
Net fair value losses/gains	**(47,615)**	(22,993)
Corporation tax	**(746,153)**	(767,441)
Net cash generated from operating activities	**2,842,550**	3,790,864
Cash flows from investing activities		
Purchase of tangible fixed assets	**(243,902)**	(715,644)
Sale of tangible fixed assets	**7,450**	1,433
Interest received	**18,295**	13,196
Net cash from investing activities	**(218,157)**	(701,015)
Cash flows from financing activities		
Dividends paid	**(2,030,184)**	(2,020,109)
Net cash used in financing activities	**(2,030,184)**	(2,020,109)
Net increase in cash and cash equivalents	**594,209**	1,069,740
Cash and cash equivalents at beginning of year	**5,190,793**	4,121,053
Cash and cash equivalents at the end of year	**5,785,002**	5,190,793
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**5,785,002**	5,190,793

Notes to the financial statements

For the year ended 30 September 2016

1. General information

The company is principally engaged in the manafacture of hospital furniture and equipment.

Hospital Metalcraft Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Blandford Heights, Blandford Forum, Dorset, DT11 7TG.

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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors have made an assessment in preparing these financial statements as to whether the company is a going concern and have concluded that there are no material uncertainties that may cast doubt on the company's ability to continue as a going concern.

2.3 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. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the financial statements

For the year ended 30 September 2016

2. Accounting policies (continued)

2.4 Tangible fixed assets

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method and on a reducing balance method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Plant & machinery	- 15% reducing balance / 20% straight line
Motor vehicles	- 20 - 33% straight line
Fixtures & fittings	- 25% reducing balance
Computer equipment	- 20 - 33% straight line

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 Investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

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 outbasis. 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.

Notes to the financial statements
For the year ended 30 September 2016

2. Accounting policies (continued)

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 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements
For the year ended 30 September 2016

2. Accounting policies (continued)

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Notes to the financial statements

For the year ended 30 September 2016

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further 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. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Notes to the financial statements
For the year ended 30 September 2016

2. Accounting policies (continued)

2.17 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 change 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.

2.18 Research and development

Research and development expenditure is written off in the year in which it is incurred.

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

The preparation of these financial statements requires management to note judgements and estimates that affect the reported amount of assets and liabilities at the balance sheet date and the reported profits during the financial year.

There are no significant judgements or sources of estimation uncertainty that require specific disclosure in addition to the disclosure in the accounting policies adopted by the company and set out in note 2.

Notes to the financial statements
For the year ended 30 September 2016

4. Turnover

Analysis of turnover by country of destination:

	2016	2015
	£	£
United Kingdom	**15,534,862**	16,617,654
Rest of Europe	**787,835**	658,598
Rest of the world	**1,274,202**	1,810,778
	17,596,899	19,087,030

The whole of the turnover is attributable to the one principal activity of the company.

5. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	**466,161**	466,257
Exchange differences	**17,408**	(1,129)
Other operating lease rentals	**42,292**	36,999

6. Auditor's remuneration

	2016	2015
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**17,000**	15,750

Fees payable to the Company's auditor and its associates in respect of:

	2016	2015
Taxation compliance services	**4,650**	7,375

Notes to the financial statements

For the year ended 30 September 2016

7. Employees

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

	2016	2015
	£	£
Wages and salaries	**4,585,217**	4,603,528
Social security costs	**448,756**	447,685
Cost of defined contribution scheme	**289,907**	308,946
	5,323,880	5,360,159

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

	2016	2015
	No.	No.
Production staff	**109**	115
Distribution staff	**17**	17
Administrative staff	**51**	48
	177	180

8. Directors' remuneration

	2016	2015
	£	£
Directors' emoluments	**530,490**	395,213
Company contributions to defined contribution pension schemes	**46,520**	70,380
Amounts paid to third parties in respect of directors' services	**6,470**	6,441

During the year retirement benefits were accruing to 4 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £148,267 (2015: £121,391).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,383 (2015 - £44,090).

9. Interest receivable

	2016	2015
	£	£
Other interest receivable	**18,295**	13,196

Notes to the financial statements

For the year ended 30 September 2016

10. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	**725,553**	800,129
Deferred tax		
Origination and reversal of timing differences	**(19,297)**	60,379
Taxation on profit on ordinary activities	**706,256**	860,508

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 £	2015 £
Profit on ordinary activities before tax	**3,727,334**	4,128,592
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.5%)	**745,467**	846,361
Effects of:		
Expenses not deductible for tax purposes	**8,266**	6,208
Capital allowances for year in excess of depreciation	**4,945**	(60,949)
Other timing differences leading to an increase (decrease) in taxation	**(31,767)**	7,950
Chargeable gains / (losses)	**985**	3,420
Patent box additional deduction	**(2,343)**	(2,861)
Deferred tax	**(19,297)**	60,379
Total tax charge for the year	**706,256**	860,508

Factors that may affect future tax charges

There were no factors that may affect future tax changes.

Notes to the financial statements
For the year ended 30 September 2016

11. Dividends

	2016 £	2015 £
Ordinary		
£1 ordinary shares	**1,776,383**	1,776,383
£0.10 ordinary shares	**253,801**	253,801
	2,030,184	2,030,184

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 October 2015	5,400,441	4,931,496	660,405	150,813	731,459	11,874,614
Additions	-	163,541	68,486	-	11,875	243,902
Disposals	-	(33,337)	(13,149)	-	-	(46,486)
At 30 September 2016	5,400,441	5,061,700	715,742	150,813	743,334	12,072,030
Depreciation						
At 1 October 2015	639,623	3,498,835	169,830	143,646	703,189	5,155,123
Charge for period on owned assets	93,592	233,751	126,705	1,792	10,321	466,161
Disposals	-	(33,337)	(13,149)	-	-	(46,486)
At 30 September 2016	733,215	3,699,249	283,386	145,438	713,510	5,574,798
Net book value						
At 30 September 2016	4,667,226	1,362,451	432,356	5,375	29,824	6,497,232
At 30 September 2015	4,760,818	1,432,661	490,575	7,167	28,270	6,719,491

The cost of freehold land which is not being depreciated is £787,313 (2015: £787,313).

Notes to the financial statements
For the year ended 30 September 2016

13. Stocks

	2016	2015
	£	£
Raw materials and consumables	**360,556**	339,274
Work in progress	**67,184**	99,369
Finished goods and goods for resale	**64,117**	78,001
	491,857	516,644

Stock recognised in cost of sales during the year as an expense was £9,063,418 (2015: £10,183,840).

An impairment loss of £NIL (2015: £NIL) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. Debtors

	2016	2015
	£	£
Trade debtors	**2,309,084**	2,141,480
Other debtors	**4,812**	4,554
Prepayments and accrued income	**111,347**	92,259
	2,425,243	2,238,293

15. Current asset investments

	2016	2015
	£	£
Listed investments	**719,780**	672,165

The listed investments are recognised at market value. The original cost of the investment was £600,000.

Notes to the financial statements
For the year ended 30 September 2016

16. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	**1,347,806**	1,630,421
Corporation tax	**395,228**	415,828
Taxation and social security	**496,142**	515,958
Other creditors	**547,916**	545,665
Accruals and deferred income	**805,779**	836,090
	3,592,871	3,943,962

17. Deferred taxation

	2016 £
At beginning of year	**(295,452)**
Charged to the profit or loss	**19,297**
At end of year	**(276,155)**

The provision for deferred taxation is made up as follows:

	2016 £
Accelerated capital allowances	**(292,200)**
Capital gains	**(12,337)**
Short term timing differences	**28,382**
	(276,155)

18 Provisions

	Other provisions £
At 1 October 2015	**48,778**
Utilised in year	**(38,778)**
At 30 September 2016	**10,000**

Notes to the financial statements
For the year ended 30 September 2016

19. Share capital

	2016	2015
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
16,028 Ordinary shares of £1 each	**16,028**	16,028
2,290 Ordinary shares of £0.10 each	**229**	229
	16,257	16,257

20. Reserves

Capital redemption reserve

This represents paid up share capital and is a non-distributable reserve.

Profit & loss account

The profit and loss account includes current and prior periods retained profits and losses.

21. Capital commitments

As at 30 September 2016, there was a capital commitment of £68,486 (2015: £nil) in relation to the purchase of motor vehicles and £169,698 (2015: £53,414) in relation to the purchase of plant and machinery.

22. Pension commitments

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The pension cost charge amounted to £289,907 (2015: £308,946). The balance outstanding to the scheme at the year end totalled £31,265 (2015: £30,655) and is included in other creditors.

Notes to the financial statements

For the year ended 30 September 2016

23. Commitments under operating leases

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

	2016	2015
	£	£
Other		
Not later than 1 year	**69,128**	74,903
Later than 1 year and not later than 5 years	**50,216**	94,404
	119,344	169,307

24. Related party transactions

With the exception of the dividends referred to within note 11 of these financial statements, there were no other related party transactions during the year ended 30 September 2016 and 30 September 2015.

25. Controlling party

The ultimate controlling party is M K Davis by virtue of his interest in the share capital of the company.

Notes to the financial statements

For the year ended 30 September 2016

26. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 October 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 October 2014

	Note	£
Equity at 1 October 2014 under previous UK GAAP		9,729,837
Fair value movement		49,172
Equity shareholders funds at 1 October 2014 under FRS 102		9,779,009

Reconciliation of equity at 30 September 2015

	Note	£
Equity at 30 September 2015 under previous UK GAAP		10,944,744
Fair value movement		72,165
Equity shareholders funds at 30 September 2015 under FRS 102		11,016,909

The following were changes in accounting policies arising from the transition to FRS 102:

1 The directors have recognised movement in fair value of the HSBC Investment Portfolio held within current asset investments, to reflect the required treatment under FRS 102. This has resulted in a increase in the opening reserves and an increase in the current asset investment value.