Financial Statements

Hospital Metalcraft Limited

For the year ended 30 September 2017

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
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 & Senior Statutory Auditor Benham 5 Southampton Science Park Southampton Hampshire SO16 7QJ
Bankers	HSBC Bank plc 17 Market Place Blandford Forum DT11 7AG
Solicitors	Humphries Kirk 3 Acorn Business Park Ling Road Poole BH12 4NZ

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Strategic report
For the year ended 30 September 2017

Business review

Hospital Metalcraft Limited ("the Company") is based in Blandford, Dorset.

The Company's mission 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.

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.

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.

Sales for the year fell by 7.6% to £16.3M because of reduced sales to the UK public healthcare market despite some increased business in the UK private healthcare and export markets.

The Company's cost base also deteriorated in the period, after several benign years, because of tightening energy, commodity and labour markets. This has resulted in an increase in material cost input prices of 5.6% year on year which the Company has not been able to recover from its customers.

Notwithstanding the challenges presented by the current economic environment the Company's key financial performance indicators exceeded internal targets set for the year, albeit lower than the previous year.

Return on sales was 18.3% (prior year 20.8%), stock turns as a factor of sales 25 (prior year 36) and return on operating assets at the year end 41.8% (prior year 58.9%).

Over the longer term 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.

As the UK's leading innovative healthcare furniture and equipment provider the Company is intent on ensuring that it meets effectively the needs of the UK healthcare market by continued investment in its product ranges, engineering resources and production capabilities. In the year ended 30th September 2017 there was investment in plant and machinery of £1.5m which included two laser cutting machines with automated material handling and storage.

Current sterling exchange rate weakness will also provide opportunities for export growth. The Company is considering how best this can be realised in the coming year.

Strategic report (continued)
For the year ended 30 September 2017

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.

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 3rd January 2018 and signed on its behalf.

S A Davis
Director

Directors' report

For the year ended 30 September 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

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 to 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.

Principal activity

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

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 risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operation existence for the forseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £2,415,947 (2016:£3,021,078).

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

Directors' report (continued)

For the year ended 30 September 2017

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

Directors share interests

	Ordinary £1 Shares 2017	Ordinary £1 Shares 2016
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.

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.

Matters covered in the strategic report

Key performance indicators and a business review for the period ending 30 September 2017 are disclosed in the strategic report as required by s414C(11).

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.

Directors' report (continued)

For the year ended 30 September 2017

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK 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 3rd January 2018 and signed on its behalf.

S A Davis
Director

Grant Thornton

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

Opinion

We have audited the financial statements of Hospital Metalcraft Limited (the 'company') for the year ended 30 September 2017 which comprise the statement of Income and Retained earnings, the Balance Sheet, and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Grant Thornton

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic and Directors report set out on pages 1 to 5, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Amanada James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
Date: 9 January 2018

Statement of income and retained earnings
For the year ended 30 September 2017

	Note	2017 £	2016 £
Turnover	4	**16,253,622**	17,596,899
Cost of sales		**(9,264,313)**	(9,830,680)
Gross profit		**6,989,309**	7,766,219
Distribution costs		**(1,955,950)**	(2,084,363)
Administrative expenses		**(2,064,030)**	(2,020,432)
Fair value movement		**30,329**	47,615
Operating profit	5	**2,999,658**	3,709,039
Interest receivable and similar income	9	**4,926**	18,295
Profit before tax		**3,004,584**	3,727,334
Tax on profit	10	**(588,637)**	(706,256)
Profit after tax		**2,415,947**	3,021,078
Retained earnings at the beginning of the year		**12,007,803**	11,016,909
Profit for the year		**2,415,947**	3,021,078
Dividends declared and paid		**(1,050,720)**	(2,030,184)
Retained earnings at the end of the year		**13,373,030**	12,007,803

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of income and retained earnings.

The notes on pages 12 to 25 form part of these financial statements.

Balance sheet
As at 30 September 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		**7,374,525**		6,497,232
Current assets					
Stocks	13	**646,691**		491,857	
Debtors: amounts falling due within one year	14	**2,526,541**		2,425,243	
Current asset investments	15	**750,109**		719,780	
Cash at bank and in hand		**6,149,122**		5,785,002	
		10,072,463		9,421,882	
Creditors: amounts falling due within one year	16	**(3,758,134)**		(3,592,871)	
Net current assets			**6,314,329**		5,829,011
Total assets less current liabilities			**13,688,854**		12,326,243
Provisions for liabilities					
Deferred tax	18	**(283,539)**		(276,155)	
Other provisions	19	**-**		(10,000)	
			(283,539)		(286,155)
Net assets			**13,405,315**		12,040,088
Capital and reserves					
Called up share capital	20		**16,257**		16,257
Capital redemption reserve	21		**16,028**		16,028
Profit and loss account	21		**13,373,030**		12,007,803
			13,405,315		12,040,088

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 07/01/18

S A Davis
Director

The notes on pages 12 to 25 form part of these financial statements.

Statement of cash flows
For the year ended 30 September 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit for the financial year	**2,415,947**	3,021,078
Adjustments for:		
Depreciation of tangible assets	**550,711**	466,161
Loss / (profit) on disposal of tangible assets	**37,270**	(7,450)
Interest received	**(4,926)**	(18,295)
Taxation charge	**588,637**	706,256
(Increase)/decrease in stocks	**(154,834)**	24,787
(Increase) in debtors	**(101,298)**	(186,950)
Increase/(decrease) in creditors	**252,074**	(330,491)
(Decrease) in provisions	**(10,000)**	(38,778)
Net fair value gains	**(30,329)**	(47,615)
Corporation tax (paid)	**(668,064)**	(746,153)
Net cash generated from operating activities	**2,875,188**	2,842,550
Cash flows from investing activities		
Purchase of tangible fixed assets	**(1,598,927)**	(243,902)
Sale of tangible fixed assets	**133,653**	7,450
Interest received	**4,926**	18,295
Net cash from investing activities	**(1,460,348)**	(218,157)
Cash flows from financing activities		
Dividends paid	**(1,050,720)**	(2,030,184)
Net cash used in financing activities	**(1,050,720)**	(2,030,184)
Net increase in cash and cash equivalents	**364,120**	594,209
Cash and cash equivalents at beginning of year	**5,785,002**	5,190,793
Cash and cash equivalents at the end of year	**6,149,122**	5,785,002
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**6,149,122**	5,785,002

The notes on pages 12 to 25 form part of these financial statements.

Notes to the financial statements

For the year ended 30 September 2017

1. General information

The company is principally engaged in the manufacture 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 unless otherwise specified within these accounting policies 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.

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 2017

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 Statement of income and retained earnings 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 2017

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.

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 debtors and creditors, 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 Statement of income and retained earnings.

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 of the recoverable amount, 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 2017

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 Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings 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 Statement of income and retained earnings 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Notes to the financial statements

For the year ended 30 September 2017

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 payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings 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 Statement of income and retained earnings 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 Statement of income and retained earnings 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 2017

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 Statement of income and retained earnings, 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.

2.18 Research and development

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

3. Judgements 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 2017

4. Turnover

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	**14,035,822**	15,534,862
Rest of Europe	**779,421**	787,835
Rest of the world	**1,438,379**	1,274,202
	16,253,622	17,596,899

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:

	2017	2016
	£	£
Depreciation of tangible fixed assets	**550,711**	466,161
Exchange losses	**17,467**	17,408
Other operating lease rentals	**87,633**	114,545

6. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**16,500**	17,000

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

Taxation compliance services	**3,200**	3,000
Other services relating to taxation	**1,600**	1,650

Notes to the financial statements
For the year ended 30 September 2017

7. Employees

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

	2017 £	2016 £
Wages and salaries	**4,422,342**	4,585,217
Social security costs	**446,002**	448,756
Cost of defined contribution scheme	**277,041**	289,907
	5,145,385	5,323,880

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

	2017 No.	2016 No.
Production staff	**96**	109
Distribution staff	**16**	17
Administrative staff	**50**	51
	162	177

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	**517,331**	530,490
Company contributions to defined contribution pension schemes	**47,102**	46,520
Amounts paid to third parties in respect of directors' services	**4,919**	6,470

During the year retirement benefits were accruing to 5 directors (2016: 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £146,514 (2016: £148,267).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,600 (2016: £17,383).

9. Interest receivable

	2017 £	2016 £
Other interest receivable	**4,926**	18,295

Notes to the financial statements

For the year ended 30 September 2017

10. Taxation

	2017	2016
	£	£
Corporation tax		
Current tax on profits for the year	**581,253**	725,553
Deferred tax		
Origination and reversal of timing differences	**7,384**	(19,297)
Taxation on profit on ordinary activities	**588,637**	706,256

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	2017	2016
	£	£
Profit on ordinary activities before tax	**3,004,584**	3,727,334
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20%)	**585,894**	745,467
Effects of:		
Expenses not deductible for tax purposes	**461**	8,266
Capital allowances for year in excess of depreciation	**14,025**	4,945
Other timing differences leading to an increase (decrease) in taxation	**(1,127)**	(31,767)
Chargeable gains / (losses)	**(314)**	985
Patent box additional deduction	**(1,302)**	(2,343)
Income not taxable for tax purposes	**(9,000)**	(19,297)
Total tax charge for the year	588,637	706,256

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 2017

11. Dividends

	2017 £	2016 £
£1 ordinary shares	**919,366**	1,776,383
£0.10 ordinary shares	**131,354**	253,801
	1,050,720	2,030,184

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 October 2016	**5,400,441**	**5,061,700**	**715,742**	**150,813**	**743,334**	**12,072,030**
Additions	-	**1,513,219**	**80,436**	-	**5,272**	**1,598,927**
Disposals	-	**(1,018,769)**	-	-	-	**(1,018,769)**
At 30 September 2017	**5,400,441**	**5,556,150**	**796,178**	**150,813**	**748,606**	**12,652,188**
Depreciation						
At 1 October 2016	**733,215**	**3,699,249**	**283,386**	**145,438**	**713,510**	**5,574,798**
Charge for the year	**93,592**	**289,748**	**150,825**	**1,344**	**15,202**	**550,711**
Disposals	-	**(847,846)**	-	-	-	**(847,846)**
At 30 September 2017	**826,807**	**3,141,151**	**434,211**	**146,782**	**728,712**	**5,277,663**
Net book value						
At 30 September 2017	**4,573,634**	**2,414,999**	**361,967**	**4,031**	**19,894**	**7,374,525**
At 30 September 2016	4,667,226	1,362,451	432,356	5,375	29,824	6,497,232

The cost of freehold land which is not being depreciated is £787,313 (2016: £787,313).

Notes to the financial statements

For the year ended 30 September 2017

13. Stocks

	2017	2016
	£	£
Raw materials and consumables	**447,038**	360,556
Work in progress	**88,760**	67,184
Finished goods and goods for resale	**110,893**	64,117
	646,691	491,857

Stock recognised in cost of sales during the year as an expense was £9,101,358 (2016: £9,063,418).

An impairment loss of £Nil (2016: £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. Debtors

	2017	2016
	£	£
Trade debtors	**2,397,308**	2,309,084
Other debtors	**3,729**	4,812
Prepayments and accrued income	**125,504**	111,347
	2,526,541	2,425,243

15. Current asset investments

	2017	2016
	£	£
Listed investments	**750,109**	719,780

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 2017

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	**1,991,860**	1,347,806
Corporation tax	**308,417**	395,228
Taxation and social security	**336,329**	496,142
Other creditors	**556,587**	547,916
Accruals and deferred income	**564,941**	805,779
	3,758,134	3,592,871

17. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at fair value through profit or loss	**750,109**	719,780
Financial assets that are debt instruments measured at amortised cost	**8,550,159**	8,098,898
	9,300,268	8,818,678
Financial liabilities		
Financial liabilities measured at amortised cost	**(3,113,418)**	(2,701,501)

Financial assets measured at fair value through profit or loss comprise current asset listed invetsments.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and cash.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

18. Deferred taxation

	2017 £
At beginning of year	**(276,155)**
Charged to profit or loss	**(7,384)**
At end of year	**(283,539)**

Notes to the financial statements
For the year ended 30 September 2017

18. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2017
	£
Accelerated capital allowances	(308,674)
Capital gains	31,245
Short term timing differences	(6,110)

19. Provisions

	Other provisions
	£
At 1 October 2016	10,000
Utilised in year	(10,000)
At 30 September 2017	-

During the year the company released a provision it held in relation to its recent planning applications on the basis that the applications are now complete.

20. Share capital

	2017	2016
	£	£
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

Notes to the financial statements
For the year ended 30 September 2017

21. Reserves

Capital redemption reserve

This represents the value of share capital previously issued which has been repurchased by the company and is a non-distributable reserve.

Profit & loss account

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

22. Capital commitments

As at 30 September 2017, there was a capital commitment of £Nil (2016: £68,486) in relation to the purchase of motor vehicles and £40,135 (2016: £169,698) in relation to the purchase of plant and machinery.

23. 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 £277,041 (2016: £289,907). The balance outstanding to the scheme at the year end totalled £29,250 (2016: £31,265) and is included in other creditors.

24. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Other		
Not later than 1 year	**63,541**	69,128
Later than 1 year and not later than 5 years	**47,324**	50,216
	110,865	119,344

25. 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 2017 and 30 September 2016.

26. Controlling party

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