

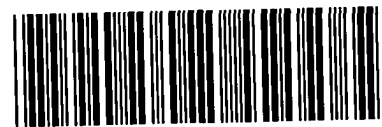
Forest Garden Limited

**Annual report and financial
statements**

Registered number 1771349

Year ended 31 December 2016

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Directors and advisors

Directors

J Halford
MA Timmis
PK Bytheway
AJ Gomersall
G Grainger

Secretary

AM Seaborn

Administrative and registered office

Unit 288
Hartlebury Trading Estate
Hartlebury
DY10 4JB

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers

The Royal Bank of Scotland plc
79/83 Colmore Row
Birmingham
B3 2AP

Solicitors

Freeths
6 Bennetts Hill
Birmingham
B2 5ST

Strategic report

Principal Activities

The main trading activity of the Company is the manufacture and distribution of timber based products for the garden. Manufacturing and distribution operations are centred at the Hartlebury and Clows Top facilities (Worcestershire).

Business overview and outlook

The Company continues to invest in providing a true multi-channel, multi-category proposition, maintaining its position at the forefront of product innovation in the sector.

Within the year, the company successfully made over 250,000 home deliveries, further demonstrating its ability to service an ever-growing home delivery market alongside the traditional store market. In addition to this, and as highlighted in last year's Strategic Report, the company successfully launched a new shed range focused on improved quality and safety features that has been very well received by customers helping drive year-on-year growth in that category.

It is therefore extremely pleasing to report that in 2016 the Company, as part of the wider Forest Garden Group, continued to leverage its unique and strategically valuable ability to control the end to end supply chain, with the company posting year on year improvements in its financial results.

Profit before taxation for the year was £1,160,000 (2015: £125,000) and the company had net assets of £9,415,000 (2015: £8,682,000) at the year end.

With the economic uncertainty facing the UK following the Brexit announcement, the Company, and the wider Group, finds itself well placed with its UK supply chain (UK sourced, UK cut and assembled and UK Delivery) to take advantage of cost increases in imported products.

The Directors would acknowledge the dedication, hard work and enthusiasm of all our employees at all levels of the business.

Principal risks and uncertainties

The impact of the UK weather remains the principal risk and uncertainty for the group but also presents opportunities for continued growth. The risk is managed through close monitoring of forecasts, flexible banking arrangements and taking advantage of our control over our vertical supply chain of sawmills, assembly and distribution which enables the group to be flexible as demand fluctuates.

Financial instruments

The company uses financial instruments including cash, Group borrowings and debt factoring. It is the company's policy not to enter into trading of a speculative nature in respect of financial instruments.

Price risk

The company is exposed to price risk on its raw material purchases.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the company. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit, using information supplied by independent rating agencies where available. At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Strategic report (*continued*)

Cash flow and liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they fall due. The company ensures that there are sufficient levels of committed facilities, cash and cash equivalents to ensure that the company is, at all times, able to meet its financial commitments. Liquidity risk is managed by continuous monitoring of forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The company has no significant interest bearing assets and consequently, its income and cash flows are largely independent of changes in market interest rates. All interest bearing borrowings comprising of bank overdrafts and bank loans have variable interest rates based upon the bank base rate and are therefore subject to fluctuations in such rates. The company does not use interest rate swaps or other instruments to manage its interest rate exposure.

Approved and signed on behalf of the Board on 18 September 2017.



G Granger
Director

Directors' report

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

Directors

The directors who served during the year are as follows:

J Halford
MA Timmis
PK Bytheway
AJ Gomersall
G Grainger

Dividends

A dividend of £200,000 was paid during the year in respect of the ordinary shares (2015: £Nil).

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and of the financial and economic factors affecting the performance of the company. This is achieved principally through consultations with employee representatives and a group newsletter.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of becoming disabled, every effort is made to retrain them in order that their employment with the company may continue. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2015: £Nil).

Going concern

As set out more fully in note 1 in the accounting policies, the directors believe that the company will be able to continue to pay its debts as they fall due and have, therefore, prepared the financial statements on a going concern basis.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved and signed on behalf of the Board on 18 September 2017.

A handwritten signature in black ink, appearing to be 'G Grainger', written over a circular stamp or seal.

G Grainger
Director

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Forest Garden Limited

We have audited the financial statements of Forest Garden Limited for the year ended 31 December 2016 set out on pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 102 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 set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Forest Garden 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.



Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

25 September 2017

Profit and loss account
for the year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	57,733	56,916
Cost of sales		(41,248)	(41,578)
		<hr/>	<hr/>
Gross profit		16,485	15,338
Distribution costs		(9,247)	(9,018)
Administrative expenses		(5,745)	(5,807)
		<hr/>	<hr/>
Operating profit		1,493	513
Profit on sale of fixed asset		26	-
Interest payable and similar expenses	6	(359)	(388)
		<hr/>	<hr/>
Profit before taxation		1,160	125
Tax on profit	7	(227)	(16)
		<hr/>	<hr/>
Profit for the financial year, being total comprehensive income for the year		933	109
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There are no gains or losses other than those shown above and therefore no separate statement of other comprehensive income has been presented

The notes on pages 12 to 22 form an integral part of these financial statements.

Balance sheet
as at 31 December 2016

	<i>Note</i>	2016 £000	£000	2015 £000	£000
Fixed assets					
Intangible assets	8		75		95
Tangible fixed assets	9		868		410
			<hr/>		<hr/>
			943		505
Current assets					
Stocks	10	8,838		8,110	
Debtors	11	13,835		12,824	
Cash		-		-	
		<hr/>		<hr/>	
		22,673		20,934	
Creditors: Amounts falling due within one year	12	(13,676)		(12,693)	
		<hr/>		<hr/>	
Net current assets			8,997		8,241
			<hr/>		<hr/>
Total assets less current liabilities			9,940		8,746
Creditors: Amounts falling due after more than one year	13		(449)		(26)
Provisions for liabilities and charges	14		(76)		(38)
			<hr/>		<hr/>
Net assets			9,415		8,682
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15	50		50	
Profit and loss account		9,365		8,632	
		<hr/>		<hr/>	
Shareholders' funds			9,415		8,682
			<hr/>		<hr/>

The notes on pages 12 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 18 September 2017 and were signed on its behalf by:



G Granger
Director

Company number: 1771349

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	50	8,523	8,573
Total comprehensive income for the period			
Profit	-	109	109
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	109	109
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	50	8,632	8,682
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 January 2016	50	8,632	8,682
Total comprehensive income for the period			
Profit	-	933	933
Transactions with owners, recorded directly in equity			
Dividend paid	-	(200)	(200)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	733	733
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	50	9,365	9,415
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Forest Garden Limited (the “Company”) is a company limited by shares and incorporated and domiciled in England in the UK. The company’s registration number is 1771349 and the registered address is Unit 288, Hartlebury Trading Estate, Hartlebury, Kidderminster, Worcestershire DY10 4JB.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Forest Garden Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Forest Garden Group Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102. 11 Basic Financial Instruments and FRS 102.12. Other Financial Instruments Issues in respect of financial instruments not falling within the fair value accounting rules Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Forest Garden Group Limited, the company’s ultimate parent undertaking. Forest Garden Group Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account [except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income].

1.4 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 5 to 20 years
- fixtures and fittings 5 years
- motor vehicles 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Goodwill - 20 years

The basis for choosing these useful lives is based on the expected benefit of the trade and assets acquired.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.10 Turnover

Turnover comprises amounts invoiced in respect of goods and services supplied during the year, excluding value added tax. Turnover arises primarily in the UK and the directors consider there to be only one business segment, being the assembly and distribution of timber products for the retail garden sector.

Notes (continued)

1 Accounting policies (continued)

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions.

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

1.13 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

2 Turnover

	2016 £000	2015 £000
Sale of goods	57,733	56,916

All goods are sold within the UK.

3 Expenses and auditor's remuneration

	2016 £000	2015 £000
Profit from sale of fixed assets	(26)	-
Exceptional costs	129	108

Notes (continued)

3 Expenses and auditor's remuneration (continued)

	2016 £000	2015 £000
Audit of these financial statements	22	21

Amounts paid to the company's auditors in respect of services to the company other than the audit of the company's financial statements have not been disclosed as this information is disclosed on a consolidated basis in the financial statements of Forest Garden Group Limited.

4 Remuneration of directors

	2016 £000	2015 £000
Aggregate emoluments	710	770
Pension contributions	73	98
	<u>783</u>	<u>868</u>

Of the directors at 31 December 2016 who received emoluments during the year, retirement benefits are accruing to five directors (2015: five) under money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2016 £000	2015 £000
Aggregate emoluments (including benefits)	196	214
Company contribution to pension scheme	33	29

5 Staff numbers and costs

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

	Number of employees 2016	2015
Manufacturing	184	186
Selling	72	10
Distribution	75	32
Office administration and management	80	115
	<u>411</u>	<u>343</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	9,125	8,302
Social security costs	771	703
Other pension costs	205	177
	<u>10,101</u>	<u>9,182</u>

Notes (continued)

6 Interest payable and similar expenses

	2016 £000	2015 £000
Interest paid on working capital facility	288	317
Recharged from group companies	71	71
	<u>359</u>	<u>388</u>

7 Taxation

Total tax expense recognised in the profit and loss account

	2016 £000	2015 £000	2015 £000
<i>Current tax</i>			
UK corporation tax	189	-	
	<u>189</u>	<u>-</u>	
Total current tax charge		189	-
<i>Deferred tax (note 14)</i>			
Origination and reversal of timing differences	49	36	
Adjustments in respect of prior periods	(2)	(20)	
Change in tax rate	(9)	-	
	<u>38</u>	<u>(20)</u>	
Total deferred tax		38	(20)
Tax charge on profit		<u>227</u>	<u>16</u>

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	933	109
Total tax expense	227	16
	<u>1,160</u>	<u>125</u>
Profit excluding taxation		
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	234	25
Non-deductable expenses	3	4
Group relief surrendered	-	11
Adjustment to tax charge in respect of previous periods	(2)	(20)
Reduction in tax rate on deferred tax balances	(9)	4
Fixed asset differences	1	-
	<u>227</u>	<u>16</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes (continued)

8 Intangible assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	105
	<hr/>
<i>Amortisation</i>	
At beginning of year	10
Amortisation for the year	20
	<hr/>
At end of year	30
	<hr/>
<i>Net book value</i>	
At 31 December 2016	75
	<hr/>
At 31 December 2015	95
	<hr/>

9 Tangible fixed assets

	Plant machinery, motor vehicles and fixtures and fittings £000
<i>Cost</i>	
At beginning of year	610
Additions	576
Disposals	(74)
	<hr/>
At end of year	1,112
	<hr/>
<i>Depreciation</i>	
At beginning of year	200
Charge for year	98
Disposals	(54)
	<hr/>
At end of year	244
	<hr/>
<i>Net book value</i>	
At 31 December 2016	868
	<hr/>
At 31 December 2015	410
	<hr/>

Included within fixed assets is £572,000 (2015: £84,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets during the year was £62,000 (2015: £27,000).

Notes (continued)

10 Stocks

	2016 £000	2015 £000
Raw materials and consumable stores	1,168	2,366
Work in progress and finished goods	7,670	5,744
	<hr/> 8,838	<hr/> 8,110
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors

	2016 £000	2015 £000
Trade debtors	4,520	3,708
Amounts owed by group undertakings	8,145	7,806
Other debtors	124	1,230
Prepayments	1,046	80
	<hr/> 13,835	<hr/> 12,824
	<hr/> <hr/>	<hr/> <hr/>

12 Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank overdraft (secured – see note 16)	3,293	3,837
Obligations under finance leases and hire purchase contracts (secured see note 13)	123	17
Trade creditors	4,039	4,031
Tax and other social security	687	613
Other creditors	306	164
Accruals	5,228	4,031
	<hr/> 13,676	<hr/> 12,693
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Obligations under finance leases and hire purchase contracts (secured)	449	26

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

The maturity of obligations under finance leases and hire purchase contracts can be analysed as follows:

	2016 £000	2015 £000
Due within one year	123	17
Due within one and two years	449	26
	<u>572</u>	<u>43</u>

14 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	38
Charge for the year	38
At end of year	<u>76</u>

Deferred tax liabilities are attributable to the following:

	2016 £000	2015 £000
Difference between accumulated depreciation and capital allowances	76	38

15 Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	50	50

16 Contingent liabilities

There is a cross guarantee in respect of bank loans and facilities for all members of the group. At 31 December 2016, the group position was a liability of £5 million (2015: £4.8 million).

In addition, the bank loans and overdrafts of all companies within the group headed up by Forest Garden Group Limited are secured by a fixed and floating charge over all the assets of these companies.

Notes (continued)

17 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Leases which expire:				
Within one year	120	358	120	409
Between two and five years	480	440	480	730
After five years	480	-	620	-
	<u>1,080</u>	<u>798</u>	<u>1,220</u>	<u>1,139</u>

18 Pensions

The company operates defined contribution pension schemes for the benefit of employees. The assets of the schemes are administered by the trustees in funds independent from those of the company. The pension charge for the year represents contributions paid by the company to the scheme in respect of employees and amounted to £205,000 (2015: £177,000).

19 Related party transactions

As the company is a wholly owned subsidiary of Forest Garden Group Limited, the company has taken advantage of the exemption contained in FRS 102 and has, therefore, not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Forest Garden Group Limited, within which this company is included, can be obtained from the address given in note 20.

20 Ultimate controlling party

The company's immediate parent company is Forest Garden (Property) Limited.

At 31 December 2016, the directors consider Forest Garden Group Limited to be the ultimate parent company. The largest group in which the results of the company are consolidated is that headed by Forest Garden Group Limited, incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from:

Companies House
Crown Way
Cardiff
CF14 3UZ