



**Strategic Report, Report of Directors and Financial Statements**

**for the Year Ended 31 December 2016**

**for**

**Mackay's Ltd.**

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**Mackay's Ltd.**

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**for the Year Ended 31 December 2016**

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**Mackay's Ltd.**

**Company Information**  
**for the Year Ended 31 December 2016**

<b>DIRECTORS:</b>	C P Grant Mrs H M Grant A N Williamson M C Grant
<b>SECRETARY:</b>	M C Grant
<b>REGISTERED OFFICE:</b>	Unit 4 James Chalmers Road Kirkton Industrial Estate Arbroath DD11 3LR
<b>REGISTERED NUMBER:</b>	SC155016 (Scotland)
<b>SENIOR STATUTORY AUDITOR:</b>	Gordon D Coupar CA
<b>AUDITORS:</b>	MMG Archbold Statutory Auditor Chapelshade House 78-84 Bell Street Dundee DD1 1RQ
<b>SOLICITORS:</b>	Thorntons Law LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ

**Mackay's Ltd.**  
**Strategic Report**  
**for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

**REVIEW OF BUSINESS**

The board is pleased to report that growth in revenues increased in 2016, continuing the trend apparent in the previous year. Turnover increased by 6.61% (from £17,439,709 in 2015 to £18,571,287). UK sales accounted for 69% of sales down in percentage terms on last year but level in revenue terms. International sales grew to 31% of turnover showing growth of 24% over 2015. This confirmed the comment made in the 2015 report that early indications in 2016 showed growth returning in these markets.

At the heart of the business and, indeed profitability, lie our brands. Mackays continued to develop in home and international markets and the board places great emphasis on this. Mrs Bridges has undergone a complete re-branding and the board is confident that it will continue to hold a market leading position in the retail channels supplied. A full launch is planned for 1st February 2017.

Raw material costs are stable but are under constant review. Future pricing arrangements with key suppliers will continue for the foreseeable future although the drop in the value of sterling has to be continually monitored. The business has continued with its policy of steady progress in capital investment and a total of £210,169 was expended in bringing more efficiency to the manufacturing process, updating IT systems, refreshing the office facilities and replacing vehicles where necessary.

**FUTURE OUTLOOK**

The board believes that the operating margin can be maintained in 2017. International markets remain challenging. Conversations with the company's bankers are ongoing in respect of currency transactions in order to mitigate the effect of these as far as possible.

Ultimately, the board believes that the enduring nature of customer relationships and the absolute quality of the products manufactured, coupled with a long-term programme of capital investment leaves the company well placed to meet the challenges of the current economic environment.

**Mackay's Ltd.**  
**Strategic Report**  
**for the Year Ended 31 December 2016**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The day-to-day management of the business and execution of the board's strategy exposes the company to a variety of financial and demand and supply side risks. In addition, there are other factors such as government regulation and unexpected economic conditions in overseas markets affecting the financial position of customers and their willingness to commit expenditure. The company monitors developments in these areas on an ongoing basis to ensure it is able to mitigate the effect of such changes.

Demand based risks are managed by the operation of a broadly based business with a diverse customer base and sales in a significant number of markets across the world. On the supply side, the company takes steps where possible to limit exposure to input price inflation through the negotiation of medium to long-term contracts and it remains committed to the use of only the finest ingredients available.

The company also has a loyal and committed workforce and believes its focus on the maintenance of well established relationships with customers and suppliers alike remains a key differentiator. All these provide a route to continued long-term success.

**Financial key performance indicators (KPIs)**

The directors rely upon a number of financial KPIs and, for the period under review, consider all of these to be in line with their expectations.

**Non financial key performance indicators (KPIs)**

The directors consider a number of non financial performance indicators on an ongoing basis, such as the recruitment and retention of talented employees with skills to meet its objectives and the monitoring of health and safety incident reports.

**Financial risk management objectives and policies**

The company's principal financial instruments comprise bank and other loans, hire purchase contracts and redeemable shares. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The company does not enter into derivative transactions. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments relate to interest rates, commodity price rises, liquidity, foreign currency fluctuations and credit. The board reviews and agrees policies for managing each of these risks and these are summarised below.

**Interest rate risk**

The company's exposure to market risk for changes in interest rates relates primarily to the company's long-term debt obligations. The company's policy is to manage its interest cost using a mix of fixed and variable rate debt and to minimise its overdraft as far as possible. The company finances specific large plant acquisitions via hire purchase contracts.

**Foreign currency risk**

As a result of sales to customers outwith the United Kingdom, the company's profits can be affected by movements in foreign exchange rates. The company does not seek to hedge this exposure, with any gains or losses arising on movements in exchange rates being recognised as they occur.

**Commodity price risk**

The company's exposure to the price of production materials and ingredients is significant; selling prices are, therefore, monitored regularly to reduce the impact of such risk.

**Credit risk**

The company trades with only recognised, creditworthy third parties. It is company policy that customers who wish to trade on credit terms are subject to credit vetting procedures. In the case of overseas customers, either a partial or full deposit payment may be requested before goods are shipped or, alternatively, letters of credit may be obtained from the customers' bankers. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

Mackay's Ltd.  
Strategic Report  
for the Year Ended 31 December 2016

Liquidity risk

The company's objective is to maintain a balance between a continuity of funding and flexibility through the use of overdrafts, bank and other loans and hire purchase contracts. This balance mitigates the risk of potential cashflow issues which may have an impact on operational requirements of the company.

**PENSION PROVISION**

In line with the government's push to widen access to workplace pensions, the board is pleased to report that all employees now have the opportunity to join the company's defined contribution pension scheme, with company contributions higher than those set out in the relevant legislation. As an employer with a long standing commitment to all of its people, the company has always believed in and practised promotion of pension saving and, on this point, it is confident that its contribution level will minimise opt out rates and will not incur additional cost or risk.

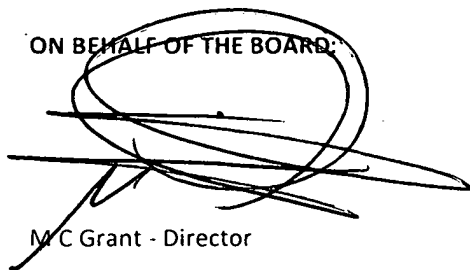
**HEALTH AND SAFETY**

The company gives a high priority to the health and safety of all staff and the general public and, accordingly, it is its policy to manage activities in a way that avoids unnecessary or unacceptable risks.

**ENVIRONMENT**

The company recognises its environmental responsibilities and products are constantly reviewed to ensure a proper balance is struck between the conflicting requirements of product protection and unnecessary packaging. The company is also committed to reducing its carbon footprint through schemes to recycle waste materials and improve the efficiency of energy and water consumption.

ON BEHALF OF THE BOARD:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

M C Grant - Director

18 May 2017

**Mackay's Ltd.**

**Report of the Directors**  
**for the Year Ended 31 December 2016**

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

**PRINCIPAL ACTIVITY**

The principal activities of Mackay's Ltd. are the manufacture and sale of the finest quality marmalade, jams, preserves, relishes, chutneys and sauces.

**DIVIDENDS**

The results for the year are set out on page 9. No interim dividends have been paid. The directors do not recommend the payment of a final dividend.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

C P Grant  
Mrs H M Grant  
A N Williamson  
M C Grant

**EMPLOYMENT POLICIES**

The company has a comprehensive framework of employment policies, details of which are provided to all employees in the form of a handbook.

The rights and opportunities of people of all ages to seek, obtain and hold employment with dignity and without any form of discrimination is central to the company. It is the company's policy that employees at all levels shall not in their dealings harass or discriminate against other individuals on the grounds of gender race, nationality, religion, sexual orientation, disability, age or for any other reason whatsoever.

The company gives full and fair consideration to the employment of disabled persons, having regard to their particular aptitudes and abilities. Should an employee become disabled every effort is made to provide appropriate training to allow their employment to continue.

Training and development activities are available to all employees, having due regard to their ambitions, aptitudes and abilities.

**EMPLOYEE INVOLVEMENT**

The company places considerable value on the contribution of its employees and continues to encourage the development of employee involvement in the company. Management meets regularly with employees through a consultative committee to discuss matters of mutual interest and to provide opportunities to employees to contribute to the success of the business. Employee communications are a high priority and the use of email, notice boards and briefings ensure all employees are informed about matters of interest to them.

**DISCLOSURE IN THE STRATEGIC REPORT**

The review of business and principal risks and uncertainties are not shown in the report of the directors as they are now shown in the strategic report under section 414C(11) of the Companies Act 2006.

**Mackay's Ltd.**

**Report of the Directors**  
**for the Year Ended 31 December 2016**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 and then apply them consistently;
- make judgements 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.

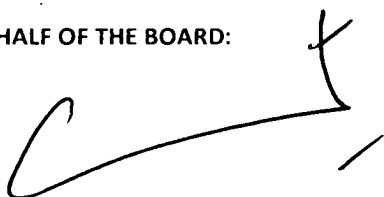
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, MMG Archbold, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to be 'C P Grant', written over a horizontal line.

C P Grant - Director

18 May 2017



**Report of the Independent Auditors to the Members of  
Mackay's Ltd.**

We have audited the financial statements of Mackay's Ltd. for the year ended 31 December 2016 on pages nine to twenty four. The financial reporting framework that has been applied in their preparation is 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'.

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 a Report of the Auditors 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements which describes the company's requirement to meet its day to day working capital through an overdraft facility; bank loans, hire purchase contracts, and other loans and its belief that the appropriate facilities will continue to be available in the future. Our opinion is not qualified in respect of this matter.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Report of the Independent Auditors to the Members of**  
**Mackay's Ltd.**

**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.



Gordon D Coupar CA (Senior Statutory Auditor)  
for and on behalf of MMG Archbold  
Statutory Auditor  
Chapelshade House  
78-84 Bell Street  
Dundee  
DD1 1RQ

18 May 2017

**Mackay's Ltd.**

**Income Statement**  
**for the Year Ended 31 December 2016**

		2016		2015	
	Notes	£	£	£	£
<b>TURNOVER</b>	3		18,571,287		17,439,709
Cost of sales			12,791,397		11,627,317
<b>GROSS PROFIT</b>			5,779,890		5,812,392
Distribution costs		1,041,335		942,323	
Administrative expenses		3,817,574		3,685,653	
			4,858,909		4,627,976
			920,981		1,184,416
Other operating income			25,006		3,463
<b>OPERATING PROFIT</b>	5		945,987		1,187,879
Interest payable and similar expenses	6		291,610		321,964
<b>PROFIT BEFORE TAXATION</b>			654,377		865,915
Tax on profit	7		152,295		213,519
<b>PROFIT FOR THE FINANCIAL YEAR</b>			502,082		652,396

The notes form part of these financial statements

Mackay's Ltd.

Other Comprehensive Income  
for the Year Ended 31 December 2016

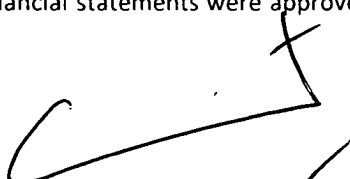
	Notes	2016 £	2015 £
PROFIT FOR THE YEAR		502,082	652,396
OTHER COMPREHENSIVE INCOME		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<hr/> <hr/>	<hr/> <hr/>

The notes form part of these financial statements

**Balance Sheet**  
**31 December 2016**

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Intangible assets	8	1,206,741	1,228,155
Tangible assets	9	5,253,018	5,454,613
		<u>6,459,759</u>	<u>6,682,768</u>
<b>CURRENT ASSETS</b>			
Stocks	10	2,575,435	2,589,105
Debtors	11	3,537,386	3,654,373
Cash in hand		748	737
		<u>6,113,569</u>	<u>6,244,215</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	6,870,892	7,352,415
<b>NET CURRENT LIABILITIES</b>		<u>(757,323)</u>	<u>(1,108,200)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,702,436</u>	<u>5,574,568</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(904,124)	(1,236,713)
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(462,478)</u>	<u>(504,103)</u>
<b>NET ASSETS</b>		<u><u>4,335,834</u></u>	<u><u>3,833,752</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	14,542	14,542
Share premium	19	522,353	522,353
Revaluation reserve	19	1,402,447	1,451,580
Retained earnings	19	2,396,492	1,845,277
<b>SHAREHOLDERS' FUNDS</b>		<u><u>4,335,834</u></u>	<u><u>3,833,752</u></u>

The financial statements were approved by the Board of Directors on 18 May 2017 and were signed on its behalf by:



C P Grant - Director

**Mackay's Ltd.**

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2016**

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £	Total equity £
<b>Balance at 1 January 2015</b>	14,542	1,143,748	522,353	1,500,713	3,181,356
<b>Changes in equity</b>					
Total comprehensive income	-	701,529	-	(49,133)	652,396
<b>Balance at 31 December 2015</b>	14,542	1,845,277	522,353	1,451,580	3,833,752
<b>Changes in equity</b>					
Total comprehensive income	-	551,215	-	(49,133)	502,082
<b>Balance at 31 December 2016</b>	14,542	2,396,492	522,353	1,402,447	4,335,834

The notes form part of these financial statements

**Mackay's Ltd.**

**Cash Flow Statement**  
**for the Year Ended 31 December 2016**

		2016	2015
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,599,387	815,448
Interest paid		(247,708)	(276,730)
Interest element of hire purchase payments paid		(43,412)	(40,588)
Finance costs paid		(490)	(4,646)
Tax paid		(210,830)	(204,165)
Net cash from operating activities		<u>1,096,947</u>	<u>289,319</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(117,601)	(84,782)
Purchase of tangible fixed assets		(210,169)	(113,879)
Sale of tangible fixed assets		23,749	35,309
Net cash from investing activities		<u>(304,021)</u>	<u>(163,352)</u>
<b>Cash flows from financing activities</b>			
Loan repayments in year		(259,591)	(259,591)
Capital repayments in year		(103,965)	(257,019)
Amount introduced by directors		65,332	40,151
Redemption of shares		(68,000)	(68,000)
Grants received		25,006	3,463
Net cash from financing activities		<u>(341,218)</u>	<u>(540,996)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>451,708</u>	<u>(415,029)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	(3,302,594)	(2,887,565)
<b>Cash and cash equivalents at end of year</b>	2	<u><u>(2,850,886)</u></u>	<u><u>(3,302,594)</u></u>

The notes form part of these financial statements

**Mackay's Ltd.**

**Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2016**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2016	2015
	£	£
Profit before taxation	654,377	865,915
Depreciation charges	530,154	512,170
Profit on disposal of fixed assets	(3,124)	(13,126)
Government grants	(25,006)	(3,463)
Finance costs	291,610	321,964
	<hr/>	<hr/>
	1,448,011	1,683,460
Decrease/(increase) in stocks	13,670	(451,047)
Decrease/(increase) in trade and other debtors	116,987	(373,172)
Increase/(decrease) in trade and other creditors	20,719	(43,793)
	<hr/>	<hr/>
Cash generated from operations	<u>1,599,387</u>	<u>815,448</u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2016**

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	748	737
Bank overdrafts	(2,851,634)	(3,303,331)
	<hr/>	<hr/>
	<u>(2,850,886)</u>	<u>(3,302,594)</u>

**Year ended 31 December 2015**

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	737	1,001
Bank overdrafts	(3,303,331)	(2,888,566)
	<hr/>	<hr/>
	<u>(3,302,594)</u>	<u>(2,887,565)</u>

The notes form part of these financial statements



**Notes to the Financial Statements**  
**for the Year Ended 31 December 2016**

Mackay's Ltd. is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

### Basis of preparing the financial statements

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the business review in the Strategic report. The financial position of the company, its cashflows, liquidity position and borrowing facilities are also described in that report.

As highlighted in note 14 to the financial statements, the company meets its day to day working capital through an overdraft facility, bank loans, hire purchase contracts, and other loans. The current economic conditions create uncertainty particularly over:-

- the level of demand for the company's products;
- the exchange rate between sterling and the countries with which the company trades; and
- the availability of bank finance in the foreseeable future.

The company's forecasts and projections, taking account of possible changes in trading performance, show that the company should be able to operate within its current bank facilities. The company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that appropriate facilities will not be available.

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

## Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

### Business development costs

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives. The intangible assets are amortised over the following rates:-

Business development costs - 5% - 20% on cost

If there is an indication that there has been a significant change in the amortisation rate or residual value of an asset, the amortisation of that asset is revised to reflect the new expectations.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

2. **ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Long leasehold	- 2% on cost
Plant and machinery	- 5% on cost
Motor vehicles	- 25% on cost
Office equipment	- Straight line over 3 years

Depreciation is provided on any revaluation from the date of such revaluation, at rates calculated to write off the cost or valuation (less any estimated residual value) of each asset over its expected useful life.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**2. ACCOUNTING POLICIES - continued**

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Financial instruments**

Financial instruments are classified, and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Grants receivable**

Grants received as a contribution towards expenditure on a fixed asset are deducted from the purchase price or production cost of that asset.

Revenue grants are released to the profit and loss account over the life of the project to which they relate.

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2016	2015
	£	£
United Kingdom	12,801,831	12,801,992
Rest of the world	5,769,456	4,637,717
	<u>18,571,287</u>	<u>17,439,709</u>

**4. EMPLOYEES AND DIRECTORS**

	2016	2015
	£	£
Wages and salaries	3,713,738	3,591,858
Social security costs	323,521	273,133
Other pension costs	155,369	117,810
	<u>4,192,628</u>	<u>3,982,801</u>

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**4. EMPLOYEES AND DIRECTORS - continued**

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

	2016	2015
Production	120	142
Administration	37	34
	<u>157</u>	<u>176</u>

	2016	2015
	£	£
Directors' remuneration	<u>254,411</u>	<u>202,030</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	<u>97,293</u>	<u>64,030</u>

**5. OPERATING PROFIT**

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

	2016	2015
	£	£
Hire of plant and machinery	148,258	142,135
Depreciation - owned assets	323,484	272,649
Depreciation - assets on hire purchase contracts	67,655	112,266
Profit on disposal of fixed assets	(3,124)	(13,126)
Development costs amortisation	139,015	127,255
Auditors' remuneration	12,500	13,000
Foreign exchange differences	<u>(51,498)</u>	<u>52,312</u>

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2016	2015
	£	£
Bank interest	63,330	68,361
Bank loan interest	184,378	208,369
Hire purchase	43,412	40,588
Other interest	490	537
Preference dividends	-	4,109
	<u>291,610</u>	<u>321,964</u>

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**7. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	193,920	210,830
Underprovision in earlier year	-	3,571
Total current tax	<u>193,920</u>	<u>214,401</u>
Deferred tax:		
Deferred tax	(15,842)	(882)
Change in corporation tax rate	(25,783)	-
Total deferred tax	<u>(41,625)</u>	<u>(882)</u>
Tax on profit	<u>152,295</u>	<u>213,519</u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit before tax	<u>654,377</u>	<u>865,915</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	130,875	173,183
Effects of:		
Expenses not deductible for tax purposes	55,591	51,162
Adjustments to tax charge in respect of previous periods	(25,783)	- 3,571
Difference between tax rates used for deferred tax and current tax provisions	374	(9,258)
Effect of indexation on deferred tax computation	(8,762)	(5,139)
Total tax charge	<u>152,295</u>	<u>213,519</u>

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**8. INTANGIBLE FIXED ASSETS**

	Development costs £
<b>COST</b>	
At 1 January 2016	2,162,372
Additions	117,601
	<hr/>
At 31 December 2016	2,279,973
	<hr/>
<b>AMORTISATION</b>	
At 1 January 2016	934,217
Amortisation for year	139,015
	<hr/>
At 31 December 2016	1,073,232
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2016	1,206,741
	<hr/>
At 31 December 2015	1,228,155
	<hr/>

**9. TANGIBLE FIXED ASSETS**

	Long leasehold £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
<b>COST OR VALUATION</b>					
At 1 January 2016	3,038,101	4,376,895	279,238	394,075	8,088,309
Additions	82,752	26,498	82,951	17,968	210,169
Disposals	-	-	(49,573)	-	(49,573)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	3,120,853	4,403,393	312,616	412,043	8,248,905
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>					
At 1 January 2016	475,626	1,656,168	146,980	354,922	2,633,696
Charge for year	62,167	220,169	67,655	41,148	391,139
Eliminated on disposal	-	-	(28,948)	-	(28,948)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	537,793	1,876,337	185,687	396,070	2,995,887
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>					
At 31 December 2016	2,583,060	2,527,056	126,929	15,973	5,253,018
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	2,562,475	2,720,727	132,258	39,153	5,454,613
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Cost or valuation at 31 December 2016 is represented by:

	Long leasehold £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
Valuation in 2012	2,700,000	415,013	-	-	3,115,013
Cost	420,853	3,988,380	312,616	412,043	5,133,892
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,120,853	4,403,393	312,616	412,043	8,248,905
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**9. TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
<b>COST OR VALUATION</b>				
At 1 January 2016	632,459	279,238	25,004	936,701
Additions	12,900	82,951	-	95,851
Transfer to ownership	(198,147)	(91,568)	(25,004)	(314,719)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	447,212	270,621	-	717,833
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>				
At 1 January 2016	73,002	146,980	16,669	236,651
Charge for year	-	67,655	-	67,655
Transfer to ownership	(37,222)	(70,943)	(16,669)	(124,834)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	35,780	143,692	-	179,472
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>				
At 31 December 2016	411,432	126,929	-	538,361
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	559,457	132,258	8,335	700,050
	<hr/>	<hr/>	<hr/>	<hr/>

**10. STOCKS**

	2016 £	2015 £
Raw materials	1,907,955	1,610,547
Work-in-progress	138,451	154,971
Finished goods	529,029	823,587
	<hr/>	<hr/>
	2,575,435	2,589,105
	<hr/>	<hr/>

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016 £	2015 £
Trade debtors	3,224,865	3,389,106
Other debtors	89,127	89,125
VAT	104,142	111,693
Prepayments	119,252	64,449
	<hr/>	<hr/>
	3,537,386	3,654,373
	<hr/>	<hr/>

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Bank loans and overdrafts (see note 14)	3,111,225	3,562,922
Preference shares (see note 14)	-	68,000
Hire purchase contracts (see note 15)	153,076	184,043
Trade creditors	3,018,177	2,761,056
Tax	193,920	210,830
Social security and other taxes	82,157	168,226
Other creditors	41,601	41,601
Directors' current accounts	246,430	181,098
Accruals and deferred income	24,306	174,639
	<u>6,870,892</u>	<u>7,352,415</u>

Dividends on the 3% floating rate cumulative redeemable preference shares are in arrears for the period from 16 December 2010 to 31 December 2015.

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2016	2015
	£	£
Bank loans (see note 14)	728,261	987,852
Hire purchase contracts (see note 15)	175,863	248,861
	<u>904,124</u>	<u>1,236,713</u>

**14. LOANS**

An analysis of the maturity of loans is given below:

	2016	2015
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	2,851,634	3,303,331
Bank loans	259,591	259,591
Preference shares	-	68,000
	<u>3,111,225</u>	<u>3,630,922</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>209,591</u>	<u>259,591</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>478,773</u>	<u>528,772</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans - more than 5 years	<u>39,897</u>	<u>199,489</u>



**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**14. LOANS - continued**

Included in bank loans and overdrafts are term loans being repaid over various terms with the last payment due in September 2022. Interest is charged at the bank base rate plus a percentage agreed at the time of the loan agreement. The amount repayable by instalments after five years is £39,897 (2015 - £199,489).

Details of shares shown as liabilities are as follows:

The preference shares shown as liabilities are to be redeemed in five annual tranches of 68,000 with the first redemption taking place on 31 December 2011 and the final redemption on 31 December 2015. The shares due to be redeemed at 31 December 2015 were not redeemed until early 2016 and were shown in current liabilities at the previous year-end. Any shares not redeemed at the appropriate time attract interest at a rate of 2% per annum above the preferred dividend rate.

The preferred dividends also fall due to be paid on the 31 December each year. Any dividends paid late attract interest of 2% per annum above the preferred dividend rate from the due date to the actual date of payment.

**15. LEASING AGREEMENTS**

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Net obligations repayable:		
Within one year	153,076	184,043
Between one and five years	175,863	248,861
	<u>328,939</u>	<u>432,904</u>

**16. SECURED DEBTS**

The following secured debts are included within creditors:

	2016 £	2015 £
Bank overdrafts	2,851,634	3,303,331
Bank loans	987,852	1,247,443
Hire purchase contracts	328,939	432,904
	<u>4,168,425</u>	<u>4,983,678</u>

The bank loans and overdrafts are secured by a standard security over the company's leasehold property in Arbroath and a floating charge over the assets of the company.

The hire purchase creditors are secured on the underlying assets.

**Mackay's Ltd.**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**17. PROVISIONS FOR LIABILITIES**

	2016 £	2015 £
Deferred tax		
Other timing differences	89,385	103,921
Accelerated capital allowances	373,093	400,182
	<u>462,478</u>	<u>504,103</u>
		Deferred tax £
Balance at 1 January 2016		504,103
Credit to Income Statement during year		<u>(41,625)</u>
Balance at 31 December 2016		<u>462,478</u>

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
14,542	Ordinary	£1	<u>14,542</u>	<u>14,542</u>

**19. RESERVES**

	Retained earnings £	Share premium £	Revaluation reserve £	Totals £
At 1 January 2016	1,845,277	522,353	1,451,580	3,819,210
Profit for the year	502,082			502,082
Transfer of depreciation on revalued asset	49,133	-	(49,133)	-
At 31 December 2016	<u>2,396,492</u>	<u>522,353</u>	<u>1,402,447</u>	<u>4,321,292</u>

**20. ULTIMATE CONTROLLING PARTY**

The controlling party is C P Grant.

The ultimate controlling party is C P Grant.