



Strategic Report, Report of the Directors and

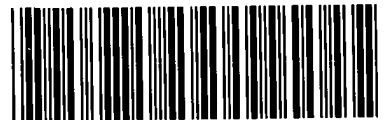
Financial Statements

for the Year Ended 31 December 2017

for

Mackay's Ltd.

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for the Year Ended 31 December 2017

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Mackay's Ltd.

Company Information
for the Year Ended 31 December 2017

DIRECTORS:

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

SECRETARY:

M C Grant

REGISTERED OFFICE:

Unit 4 James Chalmers Road
Kirkton Industrial Estate
Arbroath
DD11 3LR

REGISTERED NUMBER:

SC155016 (Scotland)

SENIOR STATUTORY AUDITOR:

Paul Crichton, BAcc, CA, CTA

AUDITORS:

MMG Archbold
Statutory Auditor
Chapelshade House
78-84 Bell Street
Dundee
DD1 1RQ

SOLICITORS:

Thorntons Law LLP
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

Strategic Report
for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

REVIEW OF BUSINESS

The board is pleased to report that growth in revenues increased in 2017, continuing the trend apparent in the previous year. Turnover increased by 1.85% (from £18,571,286 in 2016 to £18,914,281). UK sales accounted for 70% of sales slightly up in both percentage terms and revenue terms on last year. International sales represented 30% of turnover showing a marginal percentage drop from 2016. This confirmed the comment made in the 2015 report that early indications in 2016 showed growth returning to overall markets and this has continued.

At the heart of the business and, indeed profitability, lie our brands. Mackay's continues to develop in home and international markets and the board places great emphasis on this. Mrs Bridges has completed the re-branding started in 2016 and the board reports that it continues to hold its market leading position in the retail channels supplied.

Raw material costs were stable during the year but are under constant review. Future pricing arrangements with key suppliers will continue for the foreseeable future. The drop in 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 £293,610 was expended on plant and machinery, office equipment, premises refreshment and replacing vehicles where necessary.

FUTURE OUTLOOK

The board believes that the operating margin can be maintained in 2018. 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.

Negotiations have been successfully concluded to acquire the lease of adjoining premises in James Chalmers Road from the previous tenants. A second building on the site is separately leased by Angus Council and the company is presently in discussions with them to arrange a suitable sub-leasing arrangement to run in conjunction with the main building. The intention is to move distribution and co-packing to these new facilities and in the space released in the main factory to install further manufacturing capability and expand the product range.

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.

Strategic Report
for the Year Ended 31 December 2017

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. 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.

Strategic Report
for the Year Ended 31 December 2017

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.

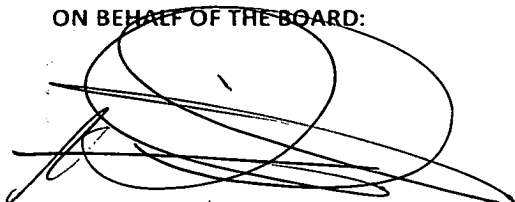
HEALTH AND SAFETY

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 at the bottom.

M C Grant - Director

29 May 2018

Report of the Directors
for the Year Ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

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 2017 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.

Report of the Directors
for the Year Ended 31 December 2017

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.

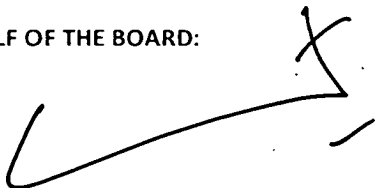
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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:



C P Grant - Director

29 May 2018

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

Opinion

We have audited the financial statements of Mackay's Ltd. (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 Auditors' 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.

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.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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 or the Report of the Directors.

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 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, and for such internal control as the directors determine 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.

Our 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 a Report of the Auditors 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 Report of the Auditors.



Paul Crichton, BAcc, CA, CTA (Senior Statutory Auditor)
for and on behalf of MMG Archbold
Statutory Auditor
Chapelshade House
78-84 Bell Street
Dundee
DD1 1RQ

29 May 2018

Income Statement
for the Year Ended 31 December 2017

	Notes	2017		2016	
		£	£	£	£
TURNOVER	3		18,914,281		18,571,287
Cost of sales			13,323,035		12,791,397
GROSS PROFIT			5,591,246		5,779,890
Distribution costs		1,070,118		1,041,335	
Administrative expenses		3,883,904		3,817,574	
			4,954,022		4,858,909
			637,224		920,981
Other operating income			6,371		25,006
OPERATING PROFIT	5		643,595		945,987
Interest payable and similar expenses	6		250,388		291,610
PROFIT BEFORE TAXATION			393,207		654,377
Tax on profit	7		111,085		152,295
PROFIT FOR THE FINANCIAL YEAR			282,122		502,082

The notes form part of these financial statements

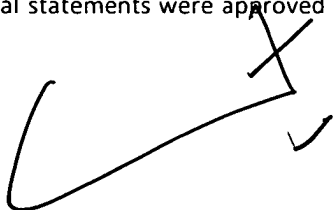
Other Comprehensive Income
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
PROFIT FOR THE YEAR		282,122	502,082
OTHER COMPREHENSIVE INCOME		—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>282,122</u>	<u>502,082</u>

Balance Sheet
31 December 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	8	1,195,869	1,206,741
Tangible assets	9	5,029,242	5,253,018
		<u>6,225,111</u>	<u>6,459,759</u>
CURRENT ASSETS			
Stocks	10	2,402,198	2,575,435
Debtors	11	4,602,643	3,537,386
Cash at bank and in hand		229,398	748
		<u>7,234,239</u>	<u>6,113,569</u>
CREDITORS			
Amounts falling due within one year	12	6,704,528	6,870,892
NET CURRENT ASSETS/(LIABILITIES)		<u>529,711</u>	<u>(757,323)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,754,822</u>	<u>5,702,436</u>
CREDITORS			
Amounts falling due after more than one year	13	(1,686,701)	(904,124)
PROVISIONS FOR LIABILITIES	17	(450,165)	(462,478)
NET ASSETS		<u><u>4,617,956</u></u>	<u><u>4,335,834</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	14,542	14,542
Share premium	19	522,353	522,353
Revaluation reserve	19	1,353,314	1,402,447
Retained earnings	19	2,727,747	2,396,492
SHAREHOLDERS' FUNDS		<u><u>4,617,956</u></u>	<u><u>4,335,834</u></u>

The financial statements were approved by the Board of Directors on 29 May 2018 and were signed on its behalf by:



C P Grant - Director

Statement of Changes in Equity
for the Year Ended 31 December 2017

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £	Total equity £
Balance at 1 January 2016	14,542	1,845,277	522,353	1,451,580	3,833,752
Changes in equity					
Total comprehensive income	-	551,215	-	(49,133)	502,082
Balance at 31 December 2016	14,542	2,396,492	522,353	1,402,447	4,335,834
Changes in equity					
Total comprehensive income	-	331,255	-	(49,133)	282,122
Balance at 31 December 2017	14,542	2,727,747	522,353	1,353,314	4,617,956

Cash Flow Statement
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	511,203	1,599,387
Interest paid		(211,608)	(247,708)
Interest element of hire purchase payments paid		(38,509)	(43,412)
Finance costs paid		(271)	(490)
Tax paid		(193,920)	(210,830)
Net cash from operating activities		<u>66,895</u>	<u>1,096,947</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(142,380)	(117,601)
Purchase of tangible fixed assets		(70,330)	(210,169)
Sale of tangible fixed assets		21,986	23,749
Net cash from investing activities		<u>(190,724)</u>	<u>(304,021)</u>
Cash flows from financing activities			
New loans in year		1,041,943	-
Loan repayments in year		(179,795)	(259,591)
Capital repayments in year		(187,931)	(103,965)
Amount introduced by directors		4,157	65,332
Amount withdrawn by directors		(127,673)	-
Redemption of shares		-	(68,000)
Grants received		6,371	25,006
Net cash from financing activities		<u>557,072</u>	<u>(341,218)</u>
Increase in cash and cash equivalents		<u>433,243</u>	<u>451,708</u>
Cash and cash equivalents at beginning of year	2	(2,850,886)	(3,302,594)
Cash and cash equivalents at end of year	2	<u>(2,417,643)</u>	<u>(2,850,886)</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2017**

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

	2017	2016
	£	£
Profit before taxation	393,207	654,377
Depreciation charges	513,386	530,154
Profit on disposal of fixed assets	(7,114)	(3,124)
Government grants	(6,371)	(25,006)
Finance costs	250,388	291,610
	<u>1,143,496</u>	<u>1,448,011</u>
Decrease in stocks	173,237	13,670
(Increase)/decrease in trade and other debtors	(1,065,257)	116,987
Increase in trade and other creditors	259,727	20,719
	<u>511,203</u>	<u>1,599,387</u>
Cash generated from operations	<u><u>511,203</u></u>	<u><u>1,599,387</u></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 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	229,398	748
Bank overdrafts	(2,647,041)	(2,851,634)
	<u>(2,417,643)</u>	<u>(2,850,886)</u>

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)
	<u>(2,850,886)</u>	<u>(3,302,594)</u>

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.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

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 notes 13 and 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:-

- (a) the level of demand for the company's products;
- (b) the exchange rate between sterling and the currency of countries with which the company trades; and
- (c) 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 is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

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 2017

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

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:

	2017	2016
	£	£
United Kingdom	13,257,323	12,801,831
Rest of the world	5,656,958	5,769,456
	<u>18,914,281</u>	<u>18,571,287</u>

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	3,986,661	3,713,738
Social security costs	336,125	323,521
Other pension costs	148,817	155,369
	<u>4,471,603</u>	<u>4,192,628</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

4. EMPLOYEES AND DIRECTORS - continued

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

	2017	2016
Production	137	120
Administration	38	37
	<u>175</u>	<u>157</u>

	2017 £	2016 £
Directors' remuneration	<u>256,228</u>	<u>254,411</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:

	2017 £	2016 £
Emoluments etc	<u>99,676</u>	<u>97,293</u>

5. OPERATING PROFIT

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

	2017 £	2016 £
Hire of plant and machinery	138,299	148,258
Depreciation - owned assets	256,458	323,484
Depreciation - assets on hire purchase contracts	103,676	67,655
Profit on disposal of fixed assets	(7,114)	(3,124)
Development costs amortisation	153,252	139,015
Auditors' remuneration	12,500	12,500
Foreign exchange differences	<u>75,429</u>	<u>(51,498)</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £	2016 £
Bank interest	40,903	63,330
Bank loan interest	170,705	184,378
Hire purchase	38,509	43,412
Other interest	<u>271</u>	<u>490</u>
	<u>250,388</u>	<u>291,610</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

7. TAXATION

Analysis of the tax charge

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

	2017 £	2016 £
Current tax:		
UK corporation tax	123,402	193,920
(Over) / under provision from earlier years	(4)	-
Total current tax	123,398	193,920
Deferred tax:		
Deferred tax	3,690	(15,842)
Change in corporation tax rate	-	(25,783)
Overprovision in earlier year	(16,003)	-
Total deferred tax	(12,313)	(41,625)
Tax on profit	111,085	152,295

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:

	2017 £	2016 £
Profit before tax	393,207	654,377
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2016 - 20%)	74,709	130,875
Effects of:		
Expenses not deductible for tax purposes	49,241	55,591
Adjustments to tax charge in respect of previous periods	(4)	(25,783)
Difference between tax rates used for deferred tax and current tax provisions	1,581	374
Effect of indexation on deferred tax computation	(14,442)	(8,762)
Total tax charge	111,085	152,295

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. INTANGIBLE FIXED ASSETS

	Development costs £
COST	
At 1 January 2017	2,279,973
Additions	142,380
	<hr/>
At 31 December 2017	2,422,353
	<hr/>
AMORTISATION	
At 1 January 2017	1,073,232
Amortisation for year	153,252
	<hr/>
At 31 December 2017	1,226,484
	<hr/>
NET BOOK VALUE	
At 31 December 2017	1,195,869
	<hr/>
At 31 December 2016	1,206,741
	<hr/>

9. TANGIBLE FIXED ASSETS

	Long leasehold £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
COST OR VALUATION					
At 1 January 2017	3,120,853	4,403,393	312,616	412,043	8,248,905
Additions	9,183	71,216	65,409	5,422	151,230
Disposals	-	-	(59,490)	-	(59,490)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	3,130,036	4,474,609	318,535	417,465	8,340,645
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION					
At 1 January 2017	537,793	1,876,337	185,687	396,070	2,995,887
Charge for year	62,601	223,731	62,011	11,791	360,134
Eliminated on disposal	-	-	(44,618)	-	(44,618)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	600,394	2,100,068	203,080	407,861	3,311,403
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE					
At 31 December 2017	2,529,642	2,374,541	115,455	9,604	5,029,242
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,583,060	2,527,056	126,929	15,973	5,253,018
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Cost or valuation at 31 December 2017 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	430,036	4,059,596	318,535	417,465	5,225,632
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,130,036	4,474,609	318,535	417,465	8,340,645
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

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 £	Totals £
COST OR VALUATION			
At 1 January 2017	447,212	270,621	717,833
Additions	15,491	65,409	80,900
Transfer to ownership	(38,307)	(87,985)	(126,292)
	<u>424,396</u>	<u>248,045</u>	<u>672,441</u>
At 31 December 2017			
DEPRECIATION			
At 1 January 2017	35,780	143,692	179,472
Charge for year	41,665	62,011	103,676
Transfer to ownership	(3,831)	(73,113)	(76,944)
	<u>73,614</u>	<u>132,590</u>	<u>206,204</u>
At 31 December 2017			
NET BOOK VALUE			
At 31 December 2017	<u>350,782</u>	<u>115,455</u>	<u>466,237</u>
At 31 December 2016	<u>411,432</u>	<u>126,929</u>	<u>538,361</u>

10. STOCKS

	2017 £	2016 £
Raw materials	1,589,200	1,907,955
Work-in-progress	155,510	138,451
Finished goods	657,488	529,029
	<u>2,402,198</u>	<u>2,575,435</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade debtors	3,970,796	3,224,865
Other debtors	89,127	89,127
VAT	111,604	104,142
Prepayments	431,116	119,252
	<u>4,602,643</u>	<u>3,537,386</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Bank loans and overdrafts (see note 14)	3,082,757	3,111,225
Hire purchase contracts (see note 15)	135,760	153,076
Trade creditors	3,029,007	3,018,177
Tax	123,398	193,920
Social security and other taxes	90,354	82,157
Other creditors	41,601	41,601
Directors' current accounts	122,914	246,430
Accruals and deferred income	14,540	24,306
Deferred lease reserve	64,197	-
	<u>6,704,528</u>	<u>6,870,892</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

	2017	2016
	£	£
Bank loans (see note 14)	1,414,284	728,261
Hire purchase contracts (see note 15)	86,148	175,863
Deferred lease reserve	186,269	-
	<u>1,686,701</u>	<u>904,124</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	2,647,041	2,851,634
Bank loans	435,716	259,591
	<u>3,082,757</u>	<u>3,111,225</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>385,716</u>	<u>209,591</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>1,028,568</u>	<u>478,773</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans - more than 5 years	<u>-</u>	<u>39,897</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

14. LOANS - continued

Included in bank loans and overdrafts are term loans being repaid over various terms with the last payment due in March 2022. Interest is charged at the bank base rate plus a percentage agreed at the time of the loan agreement.

15. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2017	2016
	£	£
Gross obligations repayable:		
Within one year	166,390	189,815
Between one and five years	103,123	213,701
	<u>269,513</u>	<u>403,516</u>
Finance charges repayable:		
Within one year	30,630	36,739
Between one and five years	16,975	37,838
	<u>47,605</u>	<u>74,577</u>
Net obligations repayable:		
Within one year	135,760	153,076
Between one and five years	86,148	175,863
	<u>221,908</u>	<u>328,939</u>
	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	186,396	-
Between one and five years	497,600	-
In more than five years	393,933	-
	<u>1,077,929</u>	<u>-</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

16. SECURED DEBTS

The following secured debts are included within creditors:

	2017	2016
	£	£
Bank overdrafts	2,647,041	2,851,634
Bank loans	1,850,000	987,852
Hire purchase contracts	221,908	328,939
	<u>4,718,949</u>	<u>4,168,425</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.

17. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Deferred tax		
Other timing differences	74,942	89,385
Accelerated capital allowances	375,223	373,093
	<u>450,165</u>	<u>462,478</u>

	Deferred tax
	£
Balance at 1 January 2017	462,478
Credit to Income Statement during year	(12,313)
Balance at 31 December 2017	<u>450,165</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£	£
14,542	Ordinary	£1	<u>14,542</u>	<u>14,542</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

19. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £	Totals £
At 1 January 2017	2,396,492	522,353	1,402,447	4,321,292
Profit for the year	282,122			282,122
Transfer of depreciation on revalued asset	49,133	-	(49,133)	-
At 31 December 2017	<u>2,727,747</u>	<u>522,353</u>	<u>1,353,314</u>	<u>4,603,414</u>

20. RELATED PARTY DISCLOSURES

All directors who have the authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. The total remuneration in respect of these individuals is £256,228 (2016 - £254,411).

21. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr C P Grant & Mrs H M Grant.

Mr & Mrs Grant are shareholders and directors of the company.