

Milliken Industrials Limited

Financial Statements

For the year ended 27 November 2016



REPORT AND FINANCIAL STATEMENTS 2016

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COMPANY INFORMATION

DIRECTORS

M J Haworth

J M Salley

Resigned 17th October 2016

J J McNulty

J Graham

COMPANY SECRETARY

M J Haworth

REGISTERED OFFICE (REGISTRATION NO. 172105)

Beech Hill Plant

Gidlow Lane

Wigan

WN6 8RN

BANKERS

JP Morgan Chase Bank

Chaseside

Bournemouth

Dorset

BH7 7DA

Barclays Business Centre

51 Mosley Street

Manchester

M60 2AU

SOLICITORS

Addleshaw Goddard LLP

100 Barbirolli Square

Manchester

M2 3AB

INDEPENDENT AUDITOR

Grant Thornton UK LLP

4 Hardman Square

Spinningfields

Manchester

M3 3EB

STRATEGIC REPORT

The principal activity of the company continues to be the manufacture of textile products and consultancy services.

The company's turnover for the period was £112,282,000 (2015: £102,077,000). Profit after taxation was £12,622,000 (2015: £5,565,000). Overall, each of the UK divisions has performed well in difficult trading conditions.

RESULTS AND DIVIDENDS

The audited financial statements for the 52 week period ended 27 November 2016 are set out on pages 8 to 28. The company's profits for the period after taxation was £12,622,000 (2015: £5,565,000).

The company is the Principal Employer of the Milliken Industrials Limited Pension Plan, a defined benefit arrangement that was closed to future accrual on 19 March 2006. The pension surplus at 27 November 2016 is £3,060,000 however this is not recognised under UK GAAP (2015 Pension Surplus: £5,970,000). The average monthly number of persons employed by the company, including directors, during the period has increased from 544 to 560 as follows:

	2016 Number	2015 Number
Production and distribution	370	353
Administration	190	191
	<u>560</u>	<u>544</u>

The company has a very strong balance sheet with no external debt and this is supported by the net cash balances which total £7,246,000 as at 27 November 2016 (2015: £7,306,000) a decrease of £60,000 during the period.

RISKS AND UNCERTAINTIES

The company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and price risk.

Cash flow risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company manages the currency exposure by natural hedging within each legal entity and also at the parent company level. The company operates a European cash pooling arrangement and any surplus funds are invested in investments which are deemed to be a low credit risk.

Credit risk

The company's principal financial assets are bank balances and trade receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of countries and customers. The company has a strict credit policy and every customer is given a credit limit and payment terms that are derived from a combination of third-party information on the customer, the country and the payment history.

STRATEGIC REPORT (CONTINUED)

RISKS AND UNCERTAINTIES (continued)

Liquidity risk

The directors continually review the going concern status of the company. In order to maintain liquidity to ensure that sufficient funds are available from ongoing operations and future developments, the company uses funds from an inter-company cash pool arrangement with fellow subsidiaries.

The directors acknowledge that there is a level of uncertainty in the general economic environment which may impact the trading position of its customers and suppliers. However the company has contracts in place with a large number of customers and suppliers across different geographic areas and industries and this diversification provides a level of natural hedging against that risk. As a consequence, the directors believe that the company is well placed to manage its business risks in this period of uncertainty. Further information is included in the accounting policies note in the financial statements (note 1).

Price risk

The company is exposed to commodity price risk. The company manages its exposure to commodity price risk by fixing contracts with suppliers.

Information regarding the going concern basis of preparation for which the directors have continued to adopt is disclosed in note 1.



M J Haworth
Director

Beech Hill Plant
Gidlow Lane
Wigan
Lancashire
WN6 8RN

8 March 2017

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 week period ended 27 November 2016.

DIRECTORS

The directors who served during the period and thereafter unless otherwise stated are disclosed on page 1.

SAFETY

Safety is the number one core value for Milliken Industrials Limited at all its locations. The process is management led and associate driven.

Its success emanates from the firm belief that all incidents can be prevented and relies on total involvement and participation of every associate at all levels.

All incidents, regardless of severity, are investigated to establish core cause and actions are taken to prevent a reoccurrence. This data is then shared with all Milliken locations globally.

Behavioural safety processes are in operation at all locations focusing on the need to think before acting and the daily promotion of safety activities through a team structure approach.

The table indicates the Lost Work Case Incident Record for 2015 and 2016:

	2016	2015
Exposure hours	1,094,296	1,054,697
Number of incidents	9	5
Incident rate per 200,000 hours	1.64	0.95

ENVIRONMENT

The company recognises the importance of its environmental responsibilities and monitors its impact on the environment to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include attempts to reduce waste sent to landfill, safe disposal of hazardous waste and reducing energy consumption.

All UK manufacturing locations are certified to ISO 14001 and operate their facilities within the framework of this management system.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

DIRECTORS' REPORT (CONTINUED)

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employees, and in some cases their elected representatives, are consulted regularly on a wide range of matters affecting their current and future interests.

CHANGES IN SHARE CAPITAL

In 2016, ordinary shares to the value of £25,000,000 were repaid. There was also an issue of ordinary shares to the value of £40,000,000. Please refer to page 23 for further details.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 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 and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the board of directors and signed on behalf of the board



M J Haworth
Director

8 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLIKEN INDUSTRIALS LIMITED

We have audited the financial statements of Milliken Industrials Limited for the 52 week period ended 27 November 2016 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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 27 November 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

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

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.



Stuart Muskett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Chartered Accountants

Manchester

14 March.

2017

MILLIKEN INDUSTRIALS LIMITED

INCOME STATEMENT

For the year ended 27 November 2016

	Note	52 week period ended 27 November 2016 £'000	52 week period ended 29 November 2015 £'000
Turnover	5	112,282	102,077
Cost of sales		<u>(72,799)</u>	<u>(70,041)</u>
Gross profit		39,483	32,036
Administrative expenses		(19,250)	(20,495)
Other operating expense		<u>(5,559)</u>	<u>(4,789)</u>
Operating profit		14,674	6,752
Changes in fair value of investment	14	1,097	333
Interest receivable and similar income	6	20	41
Profit on ordinary activities before taxation	7	15,791	7,126
Tax on profit on ordinary activities	9	(3,169)	(1,561)
Profit for the financial year		<u>12,622</u>	<u>5,565</u>

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

As at 27 November 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year	26	12,622	5,565
Remeasurement in respect of defined benefit pension scheme		20	13
Total comprehensive income for the financial year		12,642	5,578

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF FINANCIAL POSITION

For the year ended 27 November 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	10	14,576	12,687
Current assets			
Stocks	11	9,437	7,378
Debtors	12	17,933	17,417
Deferred tax asset	17	34	-
Cash and cash equivalents	13	7,246	7,306
Investments	14	15,496	30,399
		<u>50,146</u>	<u>62,500</u>
Creditors: amounts falling due within one year	15	<u>(12,141)</u>	<u>(10,221)</u>
Net current assets		<u>38,005</u>	<u>52,279</u>
Total assets less current liabilities		52,581	64,966
Provisions for liabilities	16	<u>-</u>	<u>(27)</u>
Net assets		<u><u>52,581</u></u>	<u><u>64,939</u></u>
Capital and reserves			
Called up share capital	18	25,000	10,000
Profit and loss account	19	27,581	54,939
		<u><u>52,581</u></u>	<u><u>64,939</u></u>

The financial statements were approved by the Board of Directors on
Signed on behalf of the board of directors:

8 March 2017.



M J Haworth

Director

Company registration no: 172105

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF CASH FLOWS

For the year ended 27 November 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit for the financial year	12,622	5,565
Adjustments for:		
Profit on disposal of fixed assets	1	1
Depreciation of tangible assets	2,084	1,932
Interest received	(20)	(41)
Fair value gain on investments	(1,097)	(333)
Pension costs less contributions payable	20	13
Taxation	3,169	1,561
(Increase)/decrease in trade and other debtors	(516)	891
Increase in stocks	(2,060)	(669)
Increase in trade creditors	316	806
Cash from operations	14,519	9,726
Income taxes paid	(1,626)	(2,235)
Net cash generated from operating activities	<u>12,893</u>	<u>7,491</u>
Cash flows from investing activities		
Purchases of tangible fixed assets	<u>(3,973)</u>	<u>(3,022)</u>
Net cash used in investing activities	<u>(3,973)</u>	<u>(8,316)</u>
Cash flows from financing activities		
Purchase of ordinary share capital	(25,000)	-
Current asset investments	16,000	(5,002)
Repayment of finance lease obligations	-	-
Interest paid	-	-
Interest received	20	41
Net cash used in financing activities	<u>(8,980)</u>	<u>(4,961)</u>
Net decrease in cash and cash equivalents	(60)	(492)
Cash and cash equivalents at the beginning of year	<u>7,306</u>	<u>7,798</u>
Cash and cash equivalents at end of year	<u><u>7,246</u></u>	<u><u>7,306</u></u>

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 27 November 2016

	Called-up share capital £ '000	Profit and loss account £ '000	Total £ '000
At 1 December 2014	10,000	49,361	59,361
Profit for the year	-	5,565	5,565
Other comprehensive income for the year	-	13	13
At 29 November 2015	10,000	54,939	64,939
Profit for the year	-	12,622	12,622
Other comprehensive income for the year		20	20
Issue of shares	40,000	(40,000)	-
Cancellation of ordinary share capital	(25,000)	-	(25,000)
At 27 November 2016	25,000	27,581	52,581

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

1 Company information

Milliken Industrials Limited is a company incorporated in the United Kingdom and its registered office is Beech Hill Plant, Gidlow Lane, Wigan, Lancashire, WN6 8RN. Its functional currency is sterling (£).

Its company registration number is 172105.

The principal activity of the company is the manufacture of textile products.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 25 for an explanation of the transition.

Going concern

After reviewing the forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

- Stock provision
- Depreciation charged to tangible fixed assets

4 Principal accounting policies

4.1 Tangible assets

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

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- | | |
|-----------------------|-----------------|
| - Freehold buildings | 15 or 39 years |
| - Plant and machinery | 3, 5 or 8 years |

Assets are held on balance sheet as assets under construction until the assets are in use. At this point, they are moved from assets under construction to the relevant asset class and depreciation is charged.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

4 Principal accounting policies (continued)

4.2 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.3 Investments

The company has invested in a fund which invests the company's money in shares and bonds that are actively traded in a market where quoted prices are readily available. The investment is held at fair value at the balance sheet date. Gains/Losses arising from the changes in fair value are recognised through the Income Statements.

4.4 Stocks

Stocks are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

4.5 Debtors

Short term debtors are measured at transaction price, less any impairment.

4.6 Creditors

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

4.7 Operating Leases

An operating lease is defined as a lease in which substantially all of the risks and rewards incidental to ownership of the leased asset remain with the lessor.

4.8 Provision for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4.9 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

4.10 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.11 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts, allowances and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods or as to what has been contractually agreed.

Rendering of services

Turnover from the rendering of services is recognised upon delivery of the service.

4.12 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

4.13 Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

4.14 Interest receivable

Interest receivable is recognised in profit or loss as it accrues using the effective interest method.

4.15 Pensions**Defined benefit scheme**

Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit basis and discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the statement of financial position. Past service costs are spread over the period until the benefit increases vest. Interest on scheme liabilities and the expected return on scheme assets are included in net interest costs. Actuarial gains and losses are reporting in the statement of comprehensive income.

Defined contribution scheme

Pension costs in respect of defined contribution plans are recognised as an expense in the period in which they are incurred.

5 Turnover

Turnover, analysed geographically between markets, was as follows:

	2016 £'000	2015 £'000
UK	30,697	26,705
EMEIA	77,791	73,593
Rest of the World	3,794	1,779
	<u>112,282</u>	<u>102,077</u>

Turnover, analysed by category, was as follows:

	2016 £'000	2015 £'000
Sales of goods	108,449	97,705
Rendering of services	3,833	4,372
	<u>112,282</u>	<u>102,077</u>

6 Interest receivable

	2016 £'000	2015 £'000
Bank interest receivable	20	41
	<u>20</u>	<u>41</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2016	2015
	£'000	£'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	100	74
Fees payable to the company's auditor and its associates for other services:		
Audit of the company pension scheme	10	5
Tax advisory services	-	9
Tax compliance services	4	4
Other operating lease rentals	906	737
Research and development expense	773	824
	<u>773</u>	<u>824</u>

8 Directors and employees

Staff costs during the year were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	20,416	18,581
Social security costs	2,039	1,805
Other pension costs	1,240	1,491
	<u>23,675</u>	<u>21,877</u>

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £1,240,000 (2015: £1,152,000).

The average number of employees of the group during the year was:

	2016	2015
	Number	Number
Production and distribution	370	353
Administration	190	191
	<u>560</u>	<u>544</u>

Remuneration in respect of directors was as follows:

	2016	2015
	£'000	£'000
Emoluments	361	330
Pension contributions to money purchase pension schemes	52	47
	<u>413</u>	<u>377</u>

During the year 2 directors (2015: 2) participated in money purchase pension schemes.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

8 Directors and employees (continued)

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

	2016	2015
	£'000	£'000
Emoluments	188	167
Pension contributions to money purchase pension schemes	27	24
	<u>215</u>	<u>191</u>

9 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and represents:

	2016	2015
	£'000	£'000
UK Corporation Tax	3,272	1,460
Adjustments in respect of previous periods	(42)	52
Total current tax	<u>3,230</u>	<u>1,512</u>
Deferred taxation: origination and reversal of timing differences	(61)	49
Deferred taxation: changes in tax rates	-	-
Tax on results on ordinary activities	<u>3,169</u>	<u>1,561</u>

The tax assessed for the year is different than the standard rate of corporation tax in the United Kingdom at 20% (2015: 20.33%). The differences are explained as follows:

Profit on ordinary activities before tax	<u>15,791</u>	<u>7,126</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 20.33%)	3,158	1,449
Adjustments in respect of previous periods	(42)	52
Other reconciling items	53	60
Tax on results on ordinary activities	<u>3,169</u>	<u>1,561</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is nil (2015: nil).

During the year the UK corporation tax rate was decreased. Following Budget 2016 announcements, there will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

10 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets under construct ion £'000	Total £'000
Cost				
At 29 November 2015	10,596	40,127	420	51,143
Additions	166	636	3,171	3,973
Transfers	74	293	(367)	-
Disposals	(1)	(919)	-	(920)
At 27 November 2016	10,835	40,137	3,224	54,196
Depreciation				
At 29 November 2015	4,039	34,417	-	38,456
Provided in the year	215	1,868	-	2,083
Disposals	(1)	(918)	-	(919)
At 27 November 2016	4,253	35,367	-	39,620
Net book amount at 29 November 2015	6,557	5,710	420	12,687
Net book amount at 27 November 2016	6,582	4,770	3,224	14,576

Included within freehold property is land of £1,792,332 (2015: £1,792,332), which is not depreciated.

11 Stocks

	2016 £'000	2015 £'000
Raw materials	2,661	2,050
Work In Progress	2,365	2,558
Finished goods	4,411	2,770
	9,437	7,378

Stock recognised in cost of sales during the year as an expense was £76,345,000 (2015: £73,024,000).

An impairment loss of nil (2015: £272,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

12 Debtors

	2016	2015
	£'000	£'000
Trade debtors	17,482	16,472
Amounts owed by associated undertakings	154	576
VAT	5	73
Prepayments and accrued income	292	296
	<u>17,933</u>	<u>17,417</u>

An impairment loss of £nil (2015: nil) was recognised against trade debtors.

13 Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank and in hand	7,246	7,306
	<u>7,246</u>	<u>7,306</u>

14 Investments

	2016	2015
	£'000	£'000
Investments	15,496	30,399
	<u>15,496</u>	<u>30,399</u>

Investments comprise of investments in corporate and government bonds. The fair value of the bonds is based on quoted market prices. A gain on fair value of investments of £1,097,000 (2015: £333,000) has been recognised in the income statement.

15 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	5,474	5,635
Amounts owed to associated undertakings	399	487
Taxation and social security	569	523
Corporation tax	1,984	380
Accruals and deferred income	3,715	3,196
	<u>12,141</u>	<u>10,221</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

16 Deferred taxation

Deferred taxation provided for at 17% (2015: 20%) in the financial statements is set out below:

	2016 £'000
At 29 November 2015	27
Deaccelerated capital allowance – current year	(58)
Deaccelerated capital allowance – prior year	(3)
At 27 November 2016	<u>(34)</u>

Deferred taxation provided for at 17% (2015: 20%) in the financial statements is set out below:

The amount of the net reversal of deferred tax expected to occur next year is £34,000 (2015: nil), relating to the reversal of existing timing differences on tangible fixed assets.

17 Called up share capital

	2016 £'000	2015 £'000
Authorised, allotted and fully paid: 500,000,000 (2015: 200,000,000) ordinary shares issued at £0.05p each	<u>25,000</u> <u>25,000</u>	<u>10,000</u> <u>10,000</u>

In the year ending 27th November 2016, ordinary shares to the value of £25,000,000 were repaid at par value, due to a capital reduction. There was an also issue of ordinary shares to the value of £40,000,000. These were issued at par value.

18 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

19 Capital commitments

The company had capital commitments of £2,024,000 (2015: £263,000).

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

20 Leasing commitments

The company's future minimum finance lease payments are as follows:

	2016 £'000	2015 £'000
Within one year	866	740
Between one and five years	1,867	1,772
Above five years	<u>2,042</u>	<u>2,278</u>

21 Transactions with related parties

The company has taken advantage of the exemption in FRS 102 (section 33) "Related Party Disclosure" and has not disclosed transactions with group undertakings where the company is a 100% subsidiary, as group accounts are prepared. There are no other related party transactions to disclose.

22 Financial risk management

The company has exposures to four main areas of risk – cash flow, liquidity, price and customer credit exposure.

Cash flow risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company manages the currency exposure by natural hedging. The company operates a European cash pooling arrangement and any surplus funds are invested in investments which are deemed to be a low credit risk.

Credit risk

The company's principal financial assets are bank balances and trade receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of countries and customers. The company has a strict credit policy and every customer is given a credit limit and payment terms that are derived from a combination of third-party information on the customer, the country and the payment history.

Liquidity risk

The directors continually review the going concern status of the company. In order to maintain liquidity to ensure that sufficient funds are available from ongoing operations and future developments, the company uses funds from an inter-company cash pool arrangement with Milliken Europe and its subsidiaries.

The directors acknowledge that there is a level of uncertainty in the general economic environment which may impact the trading position of its customers and suppliers. However the company has contracts in place with a large number of customers and suppliers across different geographic areas and industries and this diversification provides a level of natural hedging against that risk. As a consequence, the directors believe that the company is well placed to manage its business risks in this period of uncertainty.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

Price risk

The company is exposed to commodity price risk. The company manages its exposure to commodity price risk by fixing contracts with suppliers.

23 Financial assets and liabilities

The company's financial instruments may be analysed as follows:

	2016 £'000	2015 £'000
Financial assets measured at amortised cost	<u>24,882</u>	<u>24,354</u>
Financial assets measured at fair value through profit or loss	<u>15,496</u>	<u>30,399</u>
Financial liabilities measured at amortised cost	<u>9,588</u>	<u>9,318</u>

Financial assets that are measure at amortised cost comprise of cash at bank and in hand, trade debtors and amounts owed by fellow group undertakings.

Financial assets measured at fair value through profit or loss comprise of investments in listed bonds. The fair value of bonds is based on quoted market prices.

Financial liabilities that are measured at amortised cost comprise of trade creditors, amounts owed by fellow group undertakings and accruals.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 November 2016

24 Transition to FRS 102

The company has adopted FRS 102 for the year ended 2016 and has restated the comparative prior year amounts.

Explanations

Changes for FRS 102 adoption

1. Defined benefit pension scheme – the expected return on pension scheme assets has been restated to be in line with the discount rate applied to the pension scheme liabilities.
2. Revaluation of AXA investment – unrealised gains/losses have been reflected in the 2015 income statement. The related corporation tax charge has also been recognised in the income statement.

Restated profit for the year ended 29 November 2015

	As previously stated 29 November 2015	Effect of transition 29 November 2015	FRS102 (as restated) 29 November 2015
	£'000	£'000	£'000
Turnover	102,077		102,077
Cost of Sales	(70,041)		(70,041)
	32,036		32,036
Administration expenses	(20,495)		(20,495)
Other operating expenses	(4,776)	(13)	(4,789)
Operating profit	6,765		6,752
Changes in fair value of investment	-	333	333
(Interest payable)/Interest receivable	(285)	326	41
Taxation	(1,481)	(80)	(1,561)
Retained profit for financial year	4,999	566	5,565

The FRS 102 transition adjustments had no impact upon the Statement of Financial Position as at 29 November 2015.

26 Defined Benefit Pension Scheme

The company operates a defined benefit pension scheme covering certain employees. The assets of the scheme are administered by trustees in funds independent of the company.

The most recent actuarial valuation of the scheme was carried out as at 5 April 2014 and updated to 27 November 2016, using the projected unit method and compared to the scheme's assets at their 27 November 2016 market value.

The actuarial valuation described above has been updated at 27 November 2016 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 102. Investments have been valued, for this purpose, at their fair value. The scheme is closed to future accruals.

Reconciliation of opening and closing balances of the defined benefit obligation

	2016	2015
	£'000	£'000
Defined benefit obligation at start of period	67,002	66,775
Interest expense	2,427	2,422
Actuarial losses	12,366	416
Benefits paid	(2,827)	(2,611)
Defined benefit obligation at end of period	<u>78,968</u>	<u>67,002</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2016	2015
	£'000	£'000
Fair value of plan assets at start of period	72,972	70,956
Interest income	2,648	2,577
Return on plan asset in excess of interest income	9,235	2,050
Benefits paid	(2,827)	(2,611)
Fair value of plan assets at end of period	<u>82,028</u>	<u>72,972</u>

Assets

	2016	2015
	%	%
Fixed interest bonds	43.7	40.9
Index linked bonds	45.0	43.0
Diversified growth funds	10.7	15.7
Cash	0.6	0.4
Total assets	<u>100%</u>	<u>100%</u>

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by the company.

Assumptions

	2016	2015
Discount rate	2.90%	3.70%
Inflation rate	3.55%	3.45%
Future pension increases	2.45%	3.70%
Average male life expectancy	23.2Yrs	23.2Yrs

The actual return on plan assets over the period ending 27 November 2016 was £9,255,000.

Defined benefit costs recognised in profit or loss

	2016 £'000	2015 £'000
Net interest cost	-	-
Defined benefit costs recognised in income statement	-	-

Defined benefit costs recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Return on plan (excluding amounts included in net interest cost) – gain (loss)	9,255	2,083
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(12,366)	(416)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognised – gain (loss)	3,131	(1,654)
Total amount recognised in other comprehensive income – gain (loss)	20	13

27 Ultimate parent undertaking

The directors regard Milliken and Company, a private company incorporated in Delaware, USA, as the ultimate parent company. Milliken and Company is considered the ultimate controlling party.

The smallest group of which Milliken Industrials Limited is a member, and for which group financial statements are drawn up, is that headed up by Milliken Holding Luxembourg SARL in Luxembourg.

The largest group of which Milliken Industrials Limited is a member, and for which group financial statements are drawn up is that headed by Milliken and Company in the USA.