

Milliken Industrials Limited

Financial Statements

For the period ended 3 December 2017

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REPORT AND FINANCIAL STATEMENTS 2017

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COMPANY INFORMATION

DIRECTORS

M J Haworth
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
One St Peter's Square
Manchester
M2 3DE

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. In April 2017 the company made an acquisition, Keystone Europe Ltd who manufacture and supply speciality colourants to industrial and professional businesses.

The company's turnover for the period was £125,426,000 (2016: £112,282,000). Profit after taxation was £6,001,000 (2016: £12,622,000). 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 3 December 2017 are set out on pages 7 to 29. The company's profit for the period after taxation was £6,001,000 (2016: £12,622,000). The main reasons for the increase in costs from 2016 to 2017 was the expansive strategy of the Floorcovering Division and its manufacturing infrastructure. The company invested in new machinery to increase capacity and produce plank format products, which required additional headcount and resulted in higher administrative expenses. The company also invested in sustainability projects. Our state of the art 'Re-Vision' process offers the industry an innovative and sustainable solution to divert some of the thousands of tonnes of carpet going to landfill by recycling used carpet tiles. Re-Vision uses technology to convert our carpet tiles into production energy to be used on-site.

Due to this investment, the company has to significantly increase production associates to expand capacity.

The company also switched from imperial to metric dimensions for the production of our carpet tiles, which further contributed to the increase in costs during the year.

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 3 December 2017 is £3,411,000 however this is not recognised under UK GAAP (2016 Pension Surplus: £3,060,000). The average monthly number of persons employed by the company, including directors, during the period has increased from 560 to 603 as follows:

	2017 Number	2016 Number
Production and distribution	405	370
Administration	198	190
	<u>603</u>	<u>560</u>

The company has a very strong balance sheet with no external debt and this is supported by the net cash balances which total £4,426,000 as at 3 December 2017 (2016: £7,246,000) a decrease of £2,819,000 during the period. The main reason for the significant decrease in cash is due to the acquisition of Keystone Europe Ltd in April 2017.

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.

STRATEGIC REPORT (CONTINUED)

RISKS AND UNCERTAINTIES (continued)

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 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 2).

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 2.



M J Haworth
Director

Beech Hill Plant
Gidlow Lane
Wigan
Lancashire
WN6 8RN

19 February 2018

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 3 December 2017.

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 2016 and 2017:

	2017	2016
Exposure hours	1,078,143	1,094,296
Number of incidents	4	9
Incident rate per 200,000 hours	0.74	1.64

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.

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

19 February 2018

Independent auditor's report to the members of Milliken Industrials Limited

Opinion

We have audited the financial statements of Milliken Industrials Limited (the 'company') for the period ended 3 December 2017 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 December 2017 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.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' report set out on pages 3 to 6, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

22 FEBRUARY 2018

MILLIKEN INDUSTRIALS LIMITED

INCOME STATEMENT

For the period 3 December 2017

	Note	52 week period ended 3 December 2017 £'000	52 week period ended 27 November 2016 £'000
Turnover	5	125,426	112,282
Cost of sales		<u>(86,053)</u>	<u>(72,799)</u>
Gross profit		39,373	39,483
Administrative expenses		(26,292)	(19,250)
Other operating expense		<u>(5,701)</u>	<u>(5,559)</u>
Operating profit		7,380	14,674
Changes in fair value of investment	16	121	1,097
Interest receivable and similar income	6	24	20
Profit on ordinary activities before taxation	7	<u>7,525</u>	<u>15,791</u>
Tax on profit on ordinary activities	9	(1,524)	(3,169)
Profit for the financial year		<u><u>6,001</u></u>	<u><u>12,622</u></u>

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 3 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year	21	6,001	12,622
Remeasurement in respect of defined benefit pension scheme		26	20
Total comprehensive income for the financial year		<u>6,027</u>	<u>12,642</u>

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF FINANCIAL POSITION

For the period ended 3 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	12	17,002	14,576
Goodwill	10	1,076	-
Intangible assets	11	1,258	-
		<u>19,336</u>	<u>14,756</u>
Current assets			
Stocks	13	16,332	9,437
Debtors	14	20,253	17,933
Deferred tax asset	18	-	34
Cash and cash equivalents	15	4,426	7,246
Investments	16	13,784	15,496
		<u>54,795</u>	<u>50,146</u>
Creditors: amounts falling due within one year	17	<u>(15,308)</u>	<u>(12,141)</u>
Net current assets		<u>39,487</u>	<u>38,005</u>
Total assets less current liabilities		58,823	52,581
Deferred tax liability	18	<u>(215)</u>	<u>-</u>
Net assets		<u><u>58,608</u></u>	<u><u>52,581</u></u>
Capital and reserves			
Called up share capital	20	25,000	25,000
Profit and loss account	21	33,608	27,581
		<u>58,608</u>	<u>52,581</u>

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

19 February 2018.



M J Haworth

Director

Company registration no: 172105

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF CASH FLOWS

For the period ended 3 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit for the financial year	6,001	12,622
Adjustments for:		
Profit on disposal of fixed assets	7	1
Depreciation of tangible assets	2,124	2,084
Interest received	(24)	(20)
Amortisation	116	-
Fair value gain on investments	(125)	(1,097)
Pension costs less contributions payable	26	20
Taxation	1,524	3,169
Increase in trade and other debtors	(1,499)	(516)
Increase in stocks	(5,575)	(2,060)
Increase in trade creditors	4,292	316
Cash from operations	6,867	14,519
Income taxes paid	(2,782)	(1,626)
Net cash generated from operating activities	4,085	12,893
Cash flows from investing activities		
Acquisitions of trade and assets	(4,450)	-
Proceeds from sale of tangible fixed assets	18	-
Purchase of tangible fixed assets	(4,334)	(3,973)
Net cash used in investment activities	(8,766)	(3,973)
Cash flows from financing activities		
Purchase of ordinary share capital	-	(25,000)
Current asset investments	1,837	16,000
Interest received	24	20
Net cash generated from/ used in financing activities	1,861	(8,980)
Net decrease in cash and cash equivalents	(2,820)	(60)
Cash and cash equivalents at the beginning of year	7,246	7,306
Cash and cash equivalents at end of year	4,426	7,246

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period ended 3 December 2017

	Called-up share capital £ '000	Profit and loss account £ '000	Total £ '000
At 29 November 2015	10,000	54,939	64,939
Profit for the year	-	12,622	12,622
Other comprehensive income	-	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
Profit for the year	-	6,001	6,001
Other comprehensive income	-	26	26
At 3 December 2017	25,000	33,608	58,608

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

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.

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 | 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.

Grants received towards fixed asset investments are accounted for under the accrual model as a grant relating to assets (capital – based grants). This will be recognised in profit and loss on a systematic basis over the useful economic life of the asset (matching the depreciation charge).

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

4 Principal accounting policies (continued)

4.2 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the income statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

4.3 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of the intangible less their residual value over their estimated useful lives using the straight line method. The intangible assets are amortised over the following useful economic lives.

- Formulas	13 years
- Goodwill	13 years

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

4.4 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.

4.5 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 Statement.

4.6 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.

4.7 Debtors

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

4.8 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.

4.9 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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

4 Principal accounting policies (continued)

4.10 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.

4.11 Holiday pay accruals

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

4.12 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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

4.13 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.

4.14 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.

4.15 Foreign currency translation

In preparing the financial statements, transactions in currencies other than the functional currency of the individual entity's (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.

4.16 Interest receivable

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

4.17 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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

5 Turnover

Turnover, analysed geographically between markets, was as follows:

	2017 £'000	2016 £'000
UK	34,386	30,697
EMEIA	86,458	77,791
Rest of the World	4,582	3,794
	<u>125,426</u>	<u>112,282</u>

Turnover, analysed by category, was as follows:

	2017 £'000	2016 £'000
Sales of goods	121,950	108,449
Rendering of services	3,476	3,833
	<u>125,426</u>	<u>112,282</u>

6 Interest receivable

	2017 £'000	2016 £'000
Bank interest receivable	24	20
	<u>24</u>	<u>20</u>

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2017 £'000	2016 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	98	100
Fees payable to the company's auditor and its associates for other services:		
Audit of the company pension scheme	11	10
Tax compliance services	6	4
Tax advisory services	11	-
VAT advisory services	1	-
Other operating lease rentals	905	906
Research and development expense	<u>819</u>	<u>773</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

8 Directors and employees

Staff costs during the year were as follows:

	2017 £'000	2016 £'000
Wages and salaries	23,397	20,416
Social security costs	2,295	2,039
Other pension costs	1,319	1,240
	<u>27,011</u>	<u>23,675</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 £1,319,000 (2016: £1,240,000).

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

	2017 Number	2016 Number
<i>Production and distribution</i>	405	370
<i>Administration</i>	198	190
	<u>603</u>	<u>560</u>

Remuneration in respect of directors was as follows:

	2017 £'000	2016 £'000
Emoluments	451	361
Pension contributions to money purchase pension schemes	34	52
	<u>485</u>	<u>413</u>

During the year 2 directors (2016: 2) participated in money purchase pension schemes.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

8 Directors and employees (continued)

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

	2017 £'000	2016 £'000
Emoluments	271	188
Pension contributions to money purchase pension schemes	21	27
	<u>292</u>	<u>215</u>

9 Tax on profit on ordinary activities

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

	2017 £'000	2016 £'000
UK Corporation Tax	1,440	3,272
Adjustments in respect of previous periods	(133)	(42)
Total current tax	<u>1,307</u>	<u>3,230</u>
Deferred taxation: origination and reversal of timing differences	217	(61)
Deferred taxation: changes in tax rates	-	-
Tax on results on ordinary activities	<u>1,524</u>	<u>3,169</u>

The tax assessed for the year is different than the standard rate of corporation tax in the United Kingdom at 19% (2016: 20%). The differences are explained as follows:

Profit on ordinary activities before tax	<u>7,525</u>	<u>15,791</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2016: 20%)	1,430	3,158
Adjustments in respect of previous periods	(133)	(42)
Other reconciling items	227	53
Tax on results on ordinary activities	<u>1,524</u>	<u>3,169</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is nil (2016: 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 17% from 1 April 2020.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

10 Goodwill

At 3 December 2017 goodwill, obtained through the Keystone Europe Limited acquisition, recorded on the balance sheet consists of the following:

	2017 £'000
Cost	
At 28 November 2016	-
Acquisition of Keystone Europe Limited	1,129
At 3 December 2017	<u>1,129</u>
Amortisation	
At 28 November 2016	-
Amortisation	53
At 3 December 2017	<u>53</u>
Net book value at 3 December 2017	<u>1,076</u>

There was no net book value at 27 November 2016

Amortisation is expected to be £87,000 annually for 13 years.

11 Intangible assets

At 3 December 2017 intangible formulas, obtained through the Keystone Europe Limited acquisition, recorded on the balance sheet consists of the following:

	2017 £'000
Cost	
At 28 November 2016	-
Acquisition of Keystone Europe Limited	1,321
At 3 December 2017	<u>1,321</u>
Amortisation	
At 28 November 2016	-
Amortisation	63
At 3 December 2017	<u>63</u>
Net book value at 3 December 2017	<u>1,258</u>

There is no net book value at 27 November 2016.

Amortisation is expected to be £101,000 annually for 13 years.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

12 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 27 November 2016	10,835	40,137	3,224	54,196
Acquisition of Subsidiary	-	240	-	240
Additions	114	1,828	2,392	4,334
Transfers	6	890	(896)	-
Disposals	(12)	(677)	-	(689)
At 3 December 2017	10,943	42,418	4,720	58,081
Depreciation				
At 27 November 2016	-	-	-	-
Acquisition of subsidiary	4,252	35,368	-	39,620
Provided in the year	215	1,909	-	2,124
Disposals	(7)	(658)	-	(665)
At 3 December 2017	4,460	36,619	-	41,079
Net book amount at 27 November 2016	6,582	4,770	3,224	14,576
Net book amount at 3 December 2017	6,483	5,799	4,720	17,002

Included within freehold property is land of £1,792,332 (2016: £1,792,332), which is not depreciated.

13 Stocks

	2017 £'000	2016 £'000
Raw materials	4,855	2,661
Work in progress	3,718	2,365
Finished goods	7,759	4,411
	16,332	9,437

Stock recognised in cost of sales during the year as an expense was £87,892,000 (2016: £76,345,000).

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

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

14 Debtors

	2017 £'000	2016 £'000
Trade debtors	17,898	17,482
Amounts owed by associated undertakings	1,839	154
VAT	39	5
Prepayments and accrued income	477	292
	<u>20,253</u>	<u>17,933</u>

An impairment loss of £ nil (2016: nil) was recognised against trade debtors.

15 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	<u>4,426</u>	<u>7,246</u>
	<u>4,426</u>	<u>7,246</u>

16 Investments

	2017 £'000	2016 £'000
Investments	<u>13,784</u>	<u>15,496</u>
	<u>13,784</u>	<u>15,496</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 £121,000 (2016: £1,097,000) has been recognised in the income statement.

17 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	6,240	5,474
Amounts owed to associated undertakings	1,292	399
Taxation and social security	765	569
Corporation tax	478	1,984
Accruals and deferred income	6,533	3,715
	<u>15,308</u>	<u>12,141</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

18 Deferred taxation

Deferred taxation provided for at 17% (2016: 17%) in the financial statements is set out below:

	2017 £'000
At 27 November 2016	(34)
Deaccelerated capital allowance – current year	625
Deaccelerated capital allowance – prior year	(376)
	<u>215</u>
At 3 December 2017	<u>215</u>

The amount of the net reversal of deferred tax expected to occur next year is £ 215,000 (2016: £34,000), relating to the reversal of existing timing differences on tangible fixed assets.

19 Acquisitions

	Book and Fair value £'000
Intangible assets	1,321
Tangible assets	240
Stocks	1,320
Debtors	820
Cash	-
Creditors due within one year	<u>(380)</u>
Net assets	3,321
Consideration	4,450
Goodwill arising on acquisition	1,129

The company will amortise the arising goodwill over 13 years.

The results of Keystone Europe Limited have been included in the financial statements since the date of the acquisition. The aggregate profit before tax of these entities in the post-acquisition period was £319,000.

20 Called up share capital

	2017 £'000	2016 £'000
Authorised, allotted and fully paid 500,000,000(2016: 500,000,000) ordinary shares issued at £0.05p each)	<u>25,000</u> <u>25,000</u>	<u>25,000</u> <u>25,000</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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

21 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.

22 Capital commitments

The company had capital commitments of £939,334 (2016: £2,024,000).

23 Leasing commitments

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

	2017 £'000	2016 £'000
Within one year	927	866
Between one and five years	1,627	1,867
Above five years	<u>1,896</u>	<u>2,042</u>

24 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.

25 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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

25 Financial risk management (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 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.

Price risk

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

26 Financial assets and liabilities

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

	2017 £'000	2016 £'000
Financial assets measured at amortised cost	24,163	24,882
Financial assets measured at fair value through profit or loss	13,784	15,496
Financial liabilities measured at amortised cost	14,065	9,588

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 period ended 3 December 2017

27 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 3 December 2017, using the projected unit method and compared to the scheme's assets at their 3 December 2017 market value.

The actuarial valuation described above has been updated at 3 December 2017 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

	2017 £'000	2016 £'000
Defined benefit obligation at start of period	78,968	67,002
Interest expense	2,245	2,427
Actuarial losses	2,674	12,366
Experienced gains on liabilities	(786)	-
Benefits paid	(3,133)	(2,827)
Defined benefit obligation at end of period	<u>79,968</u>	<u>78,968</u>

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

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	82,028	72,972
Interest income	2,333	2,648
Return on plan asset in excess of interest income	2,181	9,235
Benefits paid	(3,133)	(2,827)
Fair value of plan assets at end of period	<u>83,409</u>	<u>82,028</u>

Assets	2017 %	2016 %
Fixed interest bonds	-	43.7
Index linked bonds	-	45.0
Liability Driven Investment	78.4	-
Diversified growth bonds	21.5	-
Cash	0.1	0.6
Total assets	<u>100%</u>	<u>100%</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

27 Defined Benefit Pension Scheme (continue)

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	2017	2016
Discount rate	2.45%	2.90%
Inflation rate	3.4%	3.55%
Future pension increases	3.75%	2.45%
Average male life expectancy	21.9 years	23.2 years

The actual return on plan assets over the period ended 3 December 2017 was £2,207,000 (2016 £9,255,000).

Defined benefit costs recognised in profit or loss

	2017 £'000	2016 £'000
Net interest cost	-	-
Defined benefit costs recognised in income statement	-	-

Defined benefit costs recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on plan (excluding amounts included in net interest cost) – gain	2,207	9,255
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – (loss)	(2,674)	(12,366)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognised – gain (loss)	493	3,131
Total amount recognised in other comprehensive income – gain	26	20

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 December 2017

28 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.