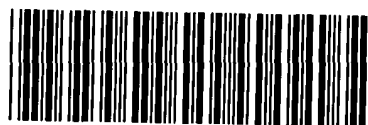


Milliken Industrials Limited
Financial Statements
For the period ended 2 December 2018

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REPORT AND FINANCIAL STATEMENTS 2018

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Company Information

Directors

M J Haworth
J McNulty
J Graham
H Cook (appointed 28th Jan 2019)

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.

The company's turnover for the period was £132,919,000 (2017: £125,426,000). Profit after taxation was £5,779,000 (2017: £6,001,000). 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 2 December 2018 are set out on pages 7 to 30. The company's profit for the period after taxation was £5,779,000 (2017: £6,001,000).

The company has increased its product lines and new designs which has resulted in an increase in turnover. In 2018 Milliken incurred a charge of £717,000 in respect of the equalisation of Guaranteed Minimum Pensions (GMPs) resulting in a reduction in the company's operating profit from the prior 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 2 December 2018 is £4,632,000 however this is not recognised under UK GAAP (2017 Pension Surplus: £3,411,000). The average monthly number of persons employed by the company, including directors, during the period has increased from 603 to 658 as follows:

	2018 Number	2017 Number
Production and distribution	447	405
Administration	211	198
	<u>658</u>	<u>603</u>

The company has a very strong balance sheet with no external debt and this is supported by the net cash balances which total £3,725,000 and £13,817,000 short term investments as at 2 December 2018 (2017: £4,426,000 and £13,784,000) a decrease of £701,000 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.

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.

Brexit

Milliken is very aware of the changing political landscape due to the referendum in the UK to leave the European Union (Brexit) and the implications this may have on trade. We have set up a Brexit Committee to monitor developments and the impacts on our supply chains. Currently there is no clear indication of what the final deal will be between the UK and EU and as such we are continuing to monitor the negotiations to enable us to make firm plans.

As the group to which the company belongs has legal entities both in the UK and the EU we are well placed to ensure stock levels can be managed in the best location to counteract any short-term supply issues and will actively work with our freight providers. We will continue to monitor the needs of the business and ensure our stock holding is maintained at the correct level and in the correct place, in order to minimise disruption. We are also actively working with our European suppliers to ensure continuity of supply especially over any period of disruption as the UK leaves the EU.



M J Haworth
Director

Beech Hill Plant
Gidlow Lane
Wigan
Lancashire
WN6 8RN

15 February 2018

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 2 December 2018.

DIRECTORS

The directors who served during the period and thereafter unless otherwise stated are disclosed on page 2.

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 2017 and 2018:

	2018	2017
Exposure hours	1,152,724	1,078,143
Number of incidents	3	4
Incident rate per 200,000 hours	0.52	0.74

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

15 February 2019

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 2 December 2018 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 2 December 2018 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 annual report, 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 have 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

19 FEBRUARY 2019

MILLIKEN INDUSTRIALS LIMITED

INCOME STATEMENT

For the period 2 December 2018

	Note	52 week period ended 2 December 2018 £'000	52 week period ended 3 December 2017 £'000
Turnover	5	132,919	125,426
Cost of sales		<u>(91,771)</u>	<u>(86,053)</u>
Gross profit		41,148	39,373
Administrative expenses		(28,073)	(26,292)
Other operating expense		<u>(5,987)</u>	<u>(5,701)</u>
Operating profit		7,088	7,380
Changes in fair value of investment	16	33	121
Interest receivable and similar income	6	<u>10</u>	<u>24</u>
Profit on ordinary activities before taxation	7	7,131	7,525
Tax on profit on ordinary activities	9	(1,352)	(1,524)
Profit for the financial year		<u><u>5,779</u></u>	<u><u>6,001</u></u>

MILLIKEN INDUSTRIALS LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 2 December 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year	20	5,779	6,001
Remeasurement in respect of defined benefit pension scheme		735	26
Total comprehensive income for the financial year		<u>6,514</u>	<u>6,027</u>

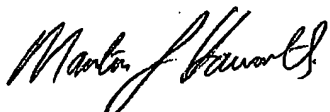
MILLIKEN INDUSTRIALS LIMITED**STATEMENT OF FINANCIAL POSITION**

For the period ended 2 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	12	18,817	17,002
Goodwill	10	988	1,076
Intangible assets	11	<u>1,157</u>	<u>1,258</u>
		20,962	19,336
Current assets			
Stocks	13	18,197	16,332
Debtors	14	23,143	20,253
Cash and cash equivalents	15	3,725	4,426
Investments	16	<u>13,817</u>	<u>13,784</u>
		58,882	54,795
Creditors: amounts falling due within one year	17	<u>(14,281)</u>	<u>(15,308)</u>
Net current assets		<u>44,601</u>	<u>39,487</u>
Total assets less current liabilities		65,563	58,823
Deferred tax liability	18	<u>(441)</u>	<u>(215)</u>
Net assets		<u>65,122</u>	<u>58,608</u>
Capital and reserves			
Called up share capital	19	25,000	25,000
Profit and loss account	20	<u>40,122</u>	<u>33,608</u>
		<u>65,122</u>	<u>58,608</u>

The financial statements were approved by the Board of Directors on *15 February* 2019.

Signed on behalf of the board of directors:



M J Haworth

Director

Company registration no: 172105

MILLIKEN INDUSTRIALS LIMITED

STATEMENT OF CASH FLOWS

For the period ended 2 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit for the financial year	5,779	6,001
Adjustments for:		
(Profit)/Loss on disposal of fixed assets	(5)	7
Depreciation of tangible assets	1,629	2,124
Interest received	(10)	(24)
Amortisation	190	116
Fair value gain on investments	(33)	(125)
Pension costs less contributions payable	735	26
Taxation	1,352	1,524
Increase in trade and other debtors	(2,892)	(1,499)
Increase in stocks	(1,865)	(5,575)
(Decrease)/Increase in trade creditors	(1,126)	4,292
Cash from operations	3,753	6,867
Income taxes paid	(1,025)	(2,782)
Net cash generated from operating activities	2,728	4,085
Cash flows from investing activities		
Acquisitions of trade and assets	-	(4,450)
Proceeds from sale of tangible fixed assets	14	18
Purchase of tangible fixed assets	(3,453)	(4,334)
Net cash used in investment activities	(3,439)	(8,766)
Cash flows from financing activities		
Current asset investments	-	1,837
Interest received	10	24
Net cash generated from financing activities	10	1,861
Net decrease in cash and cash equivalents	(701)	(2,820)
Cash and cash equivalents at the beginning of year	4,426	7,246
Cash and cash equivalents at end of year	3,725	4,426

MILLIKEN INDUSTRIALS LIMITED**STATEMENT OF CHANGES IN EQUITY****For the period ended 2 December 2018**

	Called-up share capital £ '000	Profit and loss account £ '000	Total £ '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
Profit for the year	-	5,779	5,779
Other comprehensive income	-	735	735
At 2 December 2018	25,000	40,122	65,122

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

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 – the company sells products that are subject to changing consumer demands. As a result it is necessary to consider the recoverability of the stock and the provisioning required. When calculating the stock provision, management consider the nature, condition and the age of the stock.
- Depreciation charged to tangible fixed assets – judgement is applied in assessing the useful economic lives of the company's fixed assets. As explained in note 4.1, the company revised its depreciation policy for plant and machinery during the year. The impact of this change in policy was a reduction in the annual depreciation charge applied to these assets of £650,170.
- Retirement benefit obligations – the present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations. Key assumptions for retirement benefit obligations are details in note 27. The company does not recognise the surplus arising on accounting for the defined benefit pension scheme, due to uncertainty regarding the recoverability of the surplus.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

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 | 10 years |

The depreciation policy applied to plant and machinery was reassessed during the year and revised to 10 years on a straight-line basis. The change in accounting estimate has been applied prospectively.

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).

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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

4 Principal accounting policies (continued)

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.

4.10 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.

4.11 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).

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

4 Principal accounting policies (continued)

4.11 Taxation (continued)

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.

4.12 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.

4.13 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.

4.14 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.

4.15 Interest receivable

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

4.16 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 reported 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 2 December 2018

5 Turnover

Turnover, analysed geographically between markets, was as follows:

	2018 £'000	2017 £'000
UK	36,679	34,386
EMEIA	92,532	86,458
Rest of the World	3,708	4,582
	<u>132,919</u>	<u>125,426</u>

Turnover, analysed by category, was as follows:

	2018 £'000	2017 £'000
Sales of goods	130,006	121,950
Rendering of services	2,913	3,476
	<u>132,919</u>	<u>125,426</u>

6 Interest receivable

	2018 £'000	2017 £'000
Bank interest receivable	10	24
	<u>10</u>	<u>24</u>

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2018 £'000	2017 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	100	98
Fees payable to the company's auditor and its associates for other services:		
Audit of the company pension scheme	10	11
Tax compliance services	9	6
Tax advisory services	6	11
VAT advisory services	-	1
Other operating lease rentals	930	905
Research and development expense	<u>747</u>	<u>819</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

8 Directors and employees

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	25,290	23,397
Social security costs	2,511	2,295
Other pension costs	2,211	1,319
	<u>30,012</u>	<u>27,011</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 £1,476,000 (2017: £1,319,000).

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

	2018 Number	2017 Number
Production and distribution	447	405
Administration	211	198
	<u>658</u>	<u>603</u>

Remuneration in respect of directors was as follows:

	2018 £'000	2017 £'000
Emoluments	463	451
Pension contributions to money purchase pension schemes	35	34
	<u>498</u>	<u>485</u>

During the year 2 directors (2017: 2) participated in money purchase pension schemes.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

8 Directors and employees (continued)

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

	2018 £'000	2017 £'000
Emoluments	276	271
Pension contributions to money purchase pension schemes	17	21
	<u>293</u>	<u>292</u>

9 Tax on profit on ordinary activities

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

	2018 £'000	2017 £'000
UK Corporation Tax	1,320	1,440
Adjustments in respect of previous periods	(194)	(133)
Total current tax	<u>1,126</u>	<u>1,307</u>
Deferred taxation: origination and reversal of timing differences	226	217
Tax on results on ordinary activities	<u>1,352</u>	<u>1,524</u>

The tax assessed for the year is different than the standard rate of corporation tax in the United Kingdom at 19% (2017: 19%). The differences are explained as follows:

Profit on ordinary activities before tax	<u>7,131</u>	<u>7,525</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 19%)	1,355	1,430
Adjustments in respect of previous periods	(194)	(133)
Other reconciling items	191	227
Tax on results on ordinary activities	<u>1,352</u>	<u>1,524</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is nil (2017: 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 2 December 2018

10 Goodwill

At 2 December 2018 goodwill, obtained through the Keystone Europe Limited acquisition, recorded on the balance sheet consists of the following:

	2018 £'000
Cost	
At 3 December 2017 and 2 December 2018	1,129
Amortisation	
At 3 December 2017	53
Amortisation	88
At 2 December 2018	<u>141</u>
Net book value at 2 December 2018	<u>988</u>
Net book value at 3 December 2017	<u>1,076</u>

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

11 Intangible assets

At 2 December 2018 intangible formulas, obtained through the Keystone Europe Limited acquisition, recorded on the balance sheet consists of the following:

	2018 £'000
Cost	
At 3 December 2017 and 2 December 2018	1,321
Amortisation	
At 3 December 2017	63
Amortisation	101
At 2 December 2018	<u>164</u>
Net book value at 2 December 2018	<u>1,157</u>
Net book value at 3 December 2017	<u>1,258</u>

Amortisation is expected to be £102,000 annually for 13 years.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

12 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 3 December 2017	10,943	42,418	4,720	58,081
Additions	400	2,911	142	3,453
Transfers	381	1,706	(2,087)	-
Disposals	-	(876)	-	(876)
At 2 December 2018	<u>11,724</u>	<u>46,159</u>	<u>2,775</u>	<u>60,658</u>
Depreciation				
At 3 December 2017	4,460	36,619	-	41,079
Charge for the year	222	1,407	-	1,629
Disposals	-	(867)	-	(867)
At 2 December 2018	<u>4,682</u>	<u>37,159</u>	<u>-</u>	<u>41,841</u>
Net book amount at				
3 December 2017	<u>6,483</u>	<u>5,799</u>	<u>4,720</u>	<u>17,002</u>
Net book				
amount at				
2 December 2018	<u>7,052</u>	<u>8,990</u>	<u>2,775</u>	<u>18,817</u>

Included within freehold property is land of £1,792,332, which is not depreciated, (2017: £1,792,332)

In 2018 management reassessed the useful economic life of plant and machinery and concluded that 10 years is an appropriate useful economic life for these assets. This has been applied prospectively in the 2018 financial statements.

13 Stocks

	2018 £'000	2017 £'000
Raw materials	7,004	4,855
Work in progress	4,151	3,718
Finished goods	7,042	7,759
	<u>18,197</u>	<u>16,332</u>

Stock recognised in cost of sales during the year as an expense was £94,020,232 (2017: £87,892,000).

An impairment loss of £29,000 (2017: £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 2 December 2018

14 Debtors

	2018 £'000	2017 £'000
Trade debtors	21,563	17,898
Amounts owed by associated undertakings	424	1,839
VAT	602	39
Prepayments and accrued income	554	477
	<u>23,143</u>	<u>20,253</u>

An impairment loss of £nil (2017: nil) was recognised against trade debtors.

15 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	3,725	4,426
	<u>3,725</u>	<u>4,426</u>

16 Investments

	2018 £'000	2017 £'000
Investments	13,817	13,784
	<u>13,817</u>	<u>13,784</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 £33,000 (2017: £121,000) has been recognised in the Income statement.

17 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	6,338	6,240
Amounts owed to associated undertakings	1,227	1,292
Taxation and social security	831	765
Corporation tax	580	478
Accruals and deferred income	5,305	6,533
	<u>14,281</u>	<u>15,308</u>

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

18 Deferred taxation

Deferred taxation provided for at 17% (2017: 17%) in the financial statements is set out below:

	2018 £'000
At 3 December 2017	215
Deaccelerated capital allowance – current year	196
Deaccelerated capital allowance – prior year	30
At 2 December 2018	<u>441</u>

The amount of the net reversal of deferred tax expected to occur next year is £441,000 (2017: £215,000), relating to the reversal of existing timing differences on tangible fixed assets.

The deferred tax liability is made up as follows:

	2018 £'000	2017 £'000
Decelerated capital allowances	<u>441</u>	<u>215</u>
	<u>441</u>	<u>215</u>

19 Called up share capital

	2018 £'000	2017 £'000
Authorised, allotted and fully paid 500,000,000(2017: 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>

20 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.

21 Capital commitments

The company had capital commitments of £591,815 (2017: £939,334).

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

22 Leasing commitments

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

	2018 £'000	2017 £'000
Within one year	996	927
Between one and five years	1,724	1,627
Above five years	<u>1,542</u>	<u>1,896</u>

23 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.

24 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 2 December 2018

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:

	2018 £'000	2017 £'000
Financial assets measured at amortised cost	25,715	24,163
Financial assets measured at fair value through profit or loss	13,817	13,784
Financial liabilities measured at amortised cost	12,870	14,065

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 2 December 2018

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 2 December 2018, using the projected unit method and compared to the scheme's assets at their 2 December 2018 market value.

The actuarial valuation described above has been updated at 2 December 2018 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.

On 26 October 2018, the High Court delivered its ruling in a case concerning the equalisation of Guaranteed Minimum Pensions (GMPs). This ruling is considered to create an obligation on the part of the company which has been accounted for as a past service cost. The past service cost has been agreed by a qualified actuary and gives rise to a charge to the income statement during the year.

Reconciliation of opening and closing balances of the defined benefit obligation

	2018 £'000	2017 £'000
Defined benefit obligation at start of period	79,968	78,968
Past Service Cost	717	-
Interest expense	1,911	2,245
Actuarial losses	(6,177)	2,674
Experienced gains on liabilities	-	(786)
Benefits paid	(3,945)	(3,133)
Defined benefit obligation at end of period	72,474	79,968

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

	2018 £'000	2017 £'000
Fair value of plan assets at start of period	83,409	82,028
Interest income	1,995	2,333
Return on plan asset in excess of interest income	(4,353)	2,181
Benefits paid	(3,945)	(3,133)
Fair value of plan assets at end of period	77,106	83,409

Assets	2018 %	2017 %
Fixed interest bonds	-	-
Index linked bonds	-	-
Liability Driven Investment	79.0	78.4
Diversified growth bonds	20.8	21.5
Cash	0.2	0.1
Total assets	100%	100%

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

27 Defined Benefit Pension Scheme (continued)

Assumptions	2018	2017
Discount rate	3.05%	2.45%
Inflation rate	3.55%	3.4%
Future pension increases	3.80%	3.75%
Average male life expectancy	21.9 years	21.9 years

The actual return on plan assets over the period ended 2 December 2018 was a loss of £4,335,000 (2017: gain of £2,207,000).

Defined benefit costs recognised in profit or loss

	2018 £'000	2017 £'000
Past service cost	717	-
Net interest cost	18	-
Defined benefit costs recognised in Income statement	735	-

The past service cost relates to the recognition of the company's obligation in respect of GMP equalisation.

Defined benefit costs recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Return on plan (excluding amounts included in net interest cost) – gain	(4,335)	2,207
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – (loss)	6,177	(2,674)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognised – gain (loss)	(1,824)	493
Total amount recognised in other comprehensive income – gain	18	26

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.

MILLIKEN INDUSTRIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 December 2018

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.