Company Registration No. 06061318 (England and Wales)

The Millboard Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY INFORMATION

Directors	Mr G Douglass Mr J E Douglass Mr J Douglass Mr H J Douglass (Appointed 9 April 2018)
Company Secretary	Mrs A Douglass
Company number	06061318
Registered office	Unit A, Castle Court Bodmin Road Coventry CV2 5DB
Auditor	RSM UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Solicitor	Browne Jacobson LLP Victoria Square House Victoria Square Birmingham B2 4BU

CONTENTS

STRATEGIC REPORT
For the year ended 31 December 2017

The directors present their strategic report and financial statements for the year ending 31 December 2017.

Review of the business
The principal activities of the company were the design, development, manufacture and distribution of timber-free decking and other innovative products for the garden and outdoor realm. Architects and designers for domestic, commercial and public projects frequently specify Millboard products. Patents protect the company's principal products. Further information is available at www.millboard.co.uk.

The results for the year and financial position of the company are shown fully in the annexed financial statements.

Demand for the company's products continued to increase and this growth has continued into 2018. The company is an acknowledged market leader in timber-free decking. The directors have identified substantial further potential to increase export sales and to develop new products. Some of that potential has already been realised during 2018 and further developments are planned for later in the year and during 2019.

Some specific batches of production made during 2016 had an intermittent condition that caused a change in appearance of the coating. As expected, the severe weather conditions of the 2017/18 winter produced further warranty claims for 2016 product relating to this issue, most of which have now been resolved. From early 2017 a new improved coating has been used in production, which was rigorously tested by accelerated weathering and in climate chambers. The successful performance of installed product during prolonged freezing in the severe 2017/18 winter period further proved that this new coating is fully durable. The company has continued to invest in its laboratory and in-house testing facility and has increased its resource and technical ability through the employment of an additional coatings chemist. It has also used LEAN technicians, polymer chemists and production consultants to further improve quality. Investment and focus on Research and Development has risen considerably through a number of projects, as the company continues to live its values of continuous improvement and product innovation.

The company is pursuing a claim against the supplier and their product liability insurer in respect of the suspect coating used in 2016. There is no anticipation in the financial statements of recoveries that may result from this claim.

The company is a wholly-owned subsidiary of Elmdene Group Limited, a company registered in England and Wales number 06890168. That parent company has the same directors as this company and is committed to providing such additional finance as this company may require. A formal agreement is in place to facilitate this. The directors have successfully maintained their policy of paying all agreed supplier invoices by their due date.

Principal risks and uncertainties
Most of the company's customers are in the construction sector and consequently it is exposed to risks and uncertainties typical of that sector, including: Exit of the UK from the EU; increases in purchase prices; increased competition, particularly from imports; technological challenges; increasing regulation; activity cycles in the sector; international economic instability.

The company supplies its manufactured products with the benefit of a limited end-user warranty, which is typically 5 years for commercial use and 25 years for single-family residential use. The company has fully met all valid claims arising under this warranty and has committed to do so in future by making a further warranty provision. The warranty provision in the financial statements covers the costs of all claims notified up to the date of approving this report, additional costs for brand protection and a further provision to meet potential future claims that may arise for the duration of the warranty period. Additional information is provided at Note 16 to the financial statements.

The directors have assessed future risks and challenges and have confidence in the company's future.

Development and performance
During the year the company made a profit before taxation of £2,564,380 returning to the profitability it achieved in 2015 and 2014 (2016 - £3,589,606 loss, due to an exceptional warranty provision). As most of the fixed assets and finance used by the company are owned by its parent company Elmdene Group Limited, the directors recommend referring to the consolidated accounts of that company for meaningful information on equity and reserves.

Millboard products continue to be recognised for their features and benefits. The proven export potential has given the directors confidence to invest in an additional production building including offices at its 18 acre manufacturing site. During 2018, a state of the art bespoke production line has been installed in this new facility, which will greatly increase manufacturing capacity. These assets are owned by Elmdene Group Limited and hence are not reflected in these financial statements. The manufacturing site is now managed by a newly appointed Site Director who is supported by the Production Director, the Health, Safety and Environmental Manager, the Quality Manager, the Operations Manager and their colleagues. This has helped the founders of the business to concentrate on Research and Development and new products. The company and its parent company are certified to ISO9001, ISO14001 and ISO18001.

The major movements, which are related to the recovery from the warranty provision in 2016, are an increase in gross profit margin, a rise in year end stock values of £2.5m and an increase in creditors of £2m. The Directors expect the level of turnover to rise in the current year due to the increase in year end stock levels and continuing high production levels.

Financial key performance indicators
The key performance indicator used to determine the progress and performance of the company is total turnover. In 2017 turnover of £23,276,526 was a 17% increase on the 2016 figure of £19,840,899.

Research and development
The Company is actively engaged in research and development of its products and processes used within the company. This is essential to ensure that the group keeps up to date and ensures it remains competitive.

Financial risk management objectives and policies
The Company is potentially exposed to cash flow, credit, and liquidity risk.

Cash flow risk
The Company manages these risks by financing its operations through retained profits, supplemented by short and long-term bank borrowings where necessary to fund expansion or capital expenditure programmes.

Credit risk
The Company's principal financial assets are bank balances and trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company's credit risk is primarily attributable to its trade receivables; although this is spread over a reasonably large number of counterparties with high credit ratings, credit risk arises from the concentration of credit with a few significant customers.

Liquidity risk
The management objectives are to retain sufficient liquid funds to enable it to meet its day to day requirements, minimise the Company's exposure to fluctuating interest rates and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the Company's trading activities.

THE MILLBOARD COMPANY LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2017

The directors present their report and financial statements for the year ended 31 December 2017.

Principal Activities
The principal activities of the company were the design, development, manufacture and distribution of timber-free decking and other innovative products for the garden and outdoor realm.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr G Douglass
Mr J E Douglass
Mr J Douglass
Mr H J Douglass (Appointed 9 April 2018)

Directors indemnity provisions
The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in place at the reporting date.

Results and dividends
The results for the year are set out on page 7.
No ordinary dividends were paid during the year. The directors do not recommend payment of a dividend.

Statement of disclosure to the auditor
As far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
RSM UK Audit LLP are deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006

Strategic Report
Information as required by Schedule 7 of the Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008 has been included in the Strategic Report.

This report was approved by the board of directors on 19/09/18 and signed on behalf of the board by:

Mr James Douglass
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 31 December 2017

The directors are responsible for preparing the directors' report and the annual 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 law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MILLBOARD COMPANY LIMITED

Opinion
We have audited the financial statements of The Millboard Company Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of income and retained earnings, statement of financial position 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 FRS 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 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Matters on which we are required to report by exception

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

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

As explained more fully in the directors' responsibilities statement set out on page 4, 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: http://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Use of our report

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.

Paul Oxtoby (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
RSM UK LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 20 September 2018

STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 December 2017

	Notes	2017 £	2016 £
Turnover	3	23,276,526	19,840,899
Cost of sales		(14,494,099)	(13,207,585)
Gross profit before warranty claims		8,782,427	6,633,314
Warranty claims & provisions		(2,698,546)	(7,098,760)
Gross profit/(loss)		6,083,881	(465,446)
Administrative expenses		(3,513,064)	(3,131,366)
Operating profit/(loss)	4	2,570,817	(3,596,812)
Interest receivable and similar income		8,540	8,105
Interest payable and similar expenses	7	(14,977)	(899)
Profit/(loss) before taxation		2,564,380	(3,589,606)
Taxation	8	(556,669)	915,597
Profit/(loss) for the financial year		2,007,711	(2,674,009)
Retained earnings at 1 January		(2,255,527)	1,418,482
Dividends	9	-	(1,000,000)
Retained earnings at 31 December		(247,816)	(2,255,527)

THE MILLBOARD COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	£	2017 £	£	2016 £
Fixed assets					
Intangible assets	10		13,577		21,460
Tangible assets	11		179,901		185,403
			193,478		206,863
Current assets					
Stocks	12	4,041,039		1,508,993	
Debtors	13	3,057,435		3,837,111	
Cash at bank		70,905		134,041	
		7,169,379		5,480,145	
Creditors: amounts falling due within one year	14	(4,080,669)		(2,008,034)	
Net current assets			3,088,710		3,472,111
Total assets less current liabilities			3,282,188		3,678,974
Creditors: amounts falling due after more than one year	15		-		13,013
Provisions for liabilities	16		3,530,000		5,921,484
Capital and reserves					
Called up share capital	17		4		4
Profit and loss reserves	18		(247,816)		(2,255,527)
Total equity			(247,812)		(2,255,523)
			3,282,188		3,678,974

These financial statements were approved by the board of directors and authorised for issue on 19/09/18 and are signed on behalf of the board by:

Mr James Douglass
Director

Company registration number: 06061318

The notes on pages 9 to 20 form part of these financial statements

1 Accounting policies

Company information

The Millboard Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A, Castle Court, Bodmin Road, Coventry, CV2 5DB. The company registration number is 06061318.

Accounting convention

These financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized companies and groups (accounts and reports) regulations 2008, under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company.

Reduced Disclosures

The company has taken advantage of the exemption from disclosing the following information as permitted by the reduced disclosure scheme under FRS102:

Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
Section 33 'Related Party Disclosures' – Compensation for key management personnel

Going concern

The financial statements have been prepared on a going concern basis. The company continues to rely on its parent company for financial support and the Directors of the parent company have confirmed their continued financial support for the foreseeable future.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives at 15% to 33.33% on the straight line basis or 25% on the reducing balance basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Intangible fixed assets
Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	3 years

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Impairment of fixed assets
At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

Financial instruments
The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged directly to equity, in which case the deferred tax is dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that 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 reporting end date, 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. When a provision in measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employment benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1 Accounting policies (continued)

Leases (continued)
Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2. Areas of significant judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Warranty provision
A provision is recognised for potential warranty claims on products sold. The directors have made key assumptions regarding future anticipated costs having due regards for costs incurred historically, knowledge of the business and work not yet completed at the reporting date.

Taxation
The Company establishes provisions for corporation tax payable based on reasonable estimates from its professional advisors. Key judgements and estimates have been made for 2016 and 2017 Research and Development tax relief claims which have yet to be finalised.

Slow moving stock provision
The directors have made key assumptions in calculating the provision included within the financial statements for potentially obsolete stock, based on their knowledge of the business and future anticipated sales. Stock included on the balance sheet is net of this provision.

3 Turnover

An analysis of the group's turnover is as follows:

	2017 £	2016 £
Turnover		
Sale of Goods	23,276,526	19,840,899
Turnover analysed by geographical market		
United Kingdom	18,925,760	16,638,264
Europe	1,629,423	1,147,048
Rest of the World	2,721,343	2,055,587
	23,276,526	19,840,899

4. Operating profit

Operating profit/(loss) for the year is stated after charging/(crediting):

	2017 £	2016 £
Profit on disposal of tangible fixed assets	(2,000)	(45)
Loss on disposal of intangible fixed assets	1,050	-
Depreciation of owned tangible fixed assets	44,128	39,522
Depreciation of tangible fixed assets held under finance lease	9,693	10,789
Amortisation of intangible fixed assets	10,583	6,199
Exchange (gains)/losses	(1,772)	24,238
Operating lease charges	14,284	341
Cost of stock recognised as an expense	7,182,572	7,350,498
Research and development costs	211,773	47,188
Fees payable to the company's auditor for the audit of the company's financial statements	16,500	9,500

5. Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Indirect	27	23
Direct	79	51
Total	106	74

Their aggregate remuneration comprised:

Wages and salaries	3,878,961	2,704,544
Social security costs	419,455	289,414
Pension costs	23,338	-
	4,321,754	2,993,958

6. Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	184,082	-

The number of directors accruing pension benefits was 3 (2016: nil).

7. Interest payable

	2017 £	2016 £
Other interest payable	14,977	899

8. Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	119,167	(500,000)
Adjustments in respect of prior periods	155,453	(115,597)
Total current tax	274,620	(615,597)
Deferred tax		
Origination and reversal of timing differences	282,049	(300,000)
Total tax charge/(credit)	556,669	(915,597)

	2017 £	2016 £
Profit/(loss) before taxation	2,564,380	(3,589,606)
Expected tax charge based on a corporation tax rate of 19.25% (2016 – 20%)	493,643	(717,921)
Tax effect of expenses that are not deductible in determining taxable profit	1,382	4,073
Additional deduction for R&D expenditure	(52,987)	-
Deferred tax not recognised	(3,144)	-
Change to deferred tax rate	(37,678)	-
Timing differences	-	(86,152)
Tax adjustments in respect of prior years	155,453	(115,597)
Tax charge/(credit) for the year	556,669	(915,597)

9. Dividends

	2017 £	2016 £
Final Paid (2016: £250,000 per share)	-	1,000,000
	-	1,000,000

10. Intangible fixed assets

	IT Software
	£
Cost	
At 1 January 2017	28,655
Additions	3,750
Disposals	(1,575)
31 December 2017	30,830
Depreciation and impairment	
At 1 January 2017	7,195
Depreciation charged in the year	10,583
Eliminated in respect of disposals	(525)
31 December 2017	17,253
Carrying amount	
At 31 December 2017	13,577
At 31 December 2016	21,460

11. Tangible fixed assets

	Plant & Machinery	Fixtures, Fittings & Equip	Motor Vehicles	Total
	£	£	£	£
Cost				
At 1 January 2017	41,951	41,382	170,270	253,603
Additions	16,112	5,329	26,878	48,319
Disposals	-	(9,658)	-	(9,658)
At 31 December 2017	58,063	37,053	197,148	292,264
Depreciation and impairment				
At 1 January 2017	14,244	14,617	39,339	68,200
Depreciation charged in the year	8,328	6,041	39,452	53,821
Eliminated in respect of disposals	-	(9,658)	-	(9,658)
At 31 December 2017	22,572	11,000	78,791	112,363
Carrying amount				
At 31 December 2017	35,491	26,053	118,357	179,901
At 31 December 2016	27,707	26,765	130,931	185,403

11. Tangible Fixed Assets (continued)

Carrying value of tangible fixed assets held under a finance lease

	2017 £	2016 £
Motor vehicles	29,078	38,771

12. Stocks

	2017 £	2016 £
Raw Materials and consumables	562,215	678,176
Finished goods and goods for resale	3,478,824	830,817
	4,041,039	1,508,993

13. Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	2,346,501	1,743,906
Amounts due from group undertakings	6,078	595,180
Corporation tax recoverable	228,538	1,081,442
Deferred tax	15,295	297,344
VAT Recoverable	361,094	-
Other debtors	1,056	661
Prepayments and accrued income	98,873	118,578
	3,057,435	3,837,111

	2017 £	2016 £
Movement in deferred tax:		
1 January 2017	297,344	(2,656)
Movement in provision	(282,049)	300,000
	15,295	297,344

14. Creditors: amounts falling due within one year

	2017 £	2016 £
Obligations under finance leases	13,013	13,536
Trade creditors	1,458,526	1,722,685
Amounts due to parent undertakings	2,259,425	-
Other taxation and social security	129,105	76,217
Other creditors	26,435	18,412
Accruals and deferred income	194,165	177,184
	4,080,669	2,008,034

Other creditors include pension contributions of £3,845 (2016: £nil) due to the scheme.

15. Creditors: amounts falling due after more than one year

	2017 £	2016 £
Obligations under finance leases	-	13,013

Finance leases obligations are secured over the relevant assets.

16. Provision for liabilities

	Total £
1 January 2017	5,921,484
Utilised during the year	(5,090,030)
Charge for the year	2,698,546
31 December 2017	3,530,000

As at 31 December 2017, the Company carried a warranty provision of £3,530,000 (2016: £5,921,484) against the cost of replacing products where there were known specific warranty issues.

Determining the amount of the provision, which reflects the Board's best estimate of resolving these issues, requires the exercise of significant judgement. It is necessary, therefore, to form a view on matters which are inherently uncertain, such as the claims profile over time, the final claim rate, whether the claim rates from different sales channels will vary and the average cost of redress.

The key drivers relating to the warranty provision as at 31 December 2017 and the work the Board has undertaken to assess them, are set out below:

- **Final claim percentage rate**. The Board has used past experience of the Group's product claims to develop a model of the expected claims profile in order to estimate the final claim percentage rate, using the best available data.
- **The claims rate for each year affected**. The Board has considered the specific factors in the manufacturing process during each year that have an effect on claim rates.
- **Different product claim rates from different sales channels**. The Board has estimated the expected product claim rates for different sales channels based on the Group's past experience.
- **Cost of redress**. The cost of issuing free of charge replacements and of reinstatement are relatively straightforward to determine and as such, this is the lowest risk assumption in the model.

17. Called up share capital

	2017	2016
	£	£
Ordinary share capital - Authorised		
500 Ordinary 'A' shares of £1 each	500	500
500 Ordinary 'B' shares of £1 each	500	500
	1,000	1,000
Issued and fully paid		
4 Ordinary 'A' shares of £1 each	4	4

18. Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

19. Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	5,102	8,342
Between one and five years	4,063	-
	9,165	8,342

20. Capital commitments

At 31 December the company had capital commitments as follows:

	2017	2016
	£	£
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	-	26,879

21. Related party transactions

Murray Uniforms Limited

During the year the company recharged business expenses of £50,381 (2016: £23,157) to Murray Uniforms Limited, a fellow subsidiary company of Elmdene Group Limited. During the year the company purchased goods totalling £2,894 (2016: £4,459) and received recharges of £327 (2016: nil) for other business expenses from Murray Uniforms Limited. At the year end the balance due from Murray Uniforms Limited was £6,078 (2016: £1,180).

Other

During the year the company purchased goods totalling £91,275 (2016: £74,095), from businesses connected to close family members of the Directors. The owed balance at 31 December 2017 was £5,751 (2016: £6,975).

21. Related party transactions (continued)

During the year the company purchased services from Factor 4 UK Ltd totalling £5,854 (2016: £11,371), a company of which Mr J E Douglass is a director. At the year end the balance owed was £1,909 (2016: £nil).

The company has taken advantage of the exemption available in FRS 102 Section 33 whereby it has not disclosed transactions with Elmdene Group Limited.

22. Parent company

The company's immediate and ultimate parent company is Elmdene Group Limited. Their registered office is Unit A, Castle Court, Bodmin Road, Coventry, West Midlands, CV2 5DB. This is the smallest and largest group for which consolidated accounts that include the company's results are prepared. The ultimate controlling party is the Board of Directors of Elmdene Group Limited.