

Financial Statements

Berwin Rubber Company Limited

For the Year Ended 31 December 2017



Registered number: 00524814

Company Information

Directors

Mr R J Wolkener
Mr C Ruter
Mr J E Dowdall (appointed 18.12.17)
Mr S W Lawton (resigned 18.12.17)
Mrs K Gunnarsson
Mr M Fryklund (appointed 18.7.17)

Company secretary

Mr P Stevenson

Registered number

00524814

Registered office

Broadway
Globe Lane Industrial Estate
Dukinfield
Cheshire
SK16 4UJ

Independent auditor

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

Bankers

Royal Bank of Scotland plc
232 Stamford Street
Ashton-Under-Lyne
Lancashire
OL6 7NQ

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Strategic Report

For the Year Ended 31 December 2017

Introduction

To comply with the Companies Act 2006, the company has provided below a review of the development and performance of the business during the year, including key financial performance indicators and a description of the principal risks and uncertainties facing the company.

The business review contains forward looking statements and opinions that involve risks and uncertainties. These risks and uncertainties could cause results to differ materially from expectations. The principal risk factors are discussed more below.

Business review

The profit from ordinary activities before tax for the year is £982,717 (17 months ended 31 December 2016: £1,601,606). This result reflects the challenging trading year with the negative impact of raw material price increases. Continued investment in equipment provides a solid base for ongoing business as well as providing a platform for potential growth.

Financial key performance indicators

	2017	2016
Turnover	£24,900,144	£30,108,422
Gross Profit %	32.5%	36.2%
Operating Profit %	3.9%	5.3%

Principal risks and uncertainties

Competition

The market in which the company operates is highly competitive. As a result, there is constant downward pressure on margins. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

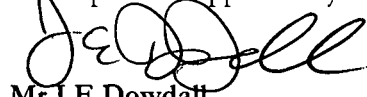
Fluctuations in commodity prices

The manufacture of our product range relies on materials traded on the commodity market. The price of such materials is therefore susceptible to fluctuations dependent upon market conditions. In order to mitigate the impact of such price movements, management maintains close contact with its suppliers to try and foresee where this could occur.

Fluctuations in currency exchange rates

A significant proportion of purchases come from overseas and are denominated in foreign currencies. We are therefore exposed to foreign currency fluctuations. The company manages its foreign exchange exposure on a net basis and if required uses forward exchange contracts and other derivatives/financial instruments to reduce the exposure. If the hedging activity does not mitigate the exposure, then the results and the financial condition of the company may be adversely impacted by foreign currency fluctuations.

This report was approved by the board on 7 September 2018 and signed on its behalf.



Mr J E Dowdall
Director

Directors' Report

For the Year Ended 31 December 2017

The directors present their report and the financial statements for the 12 months ended 31 December 2017.

Principal activity

The principal activity of the company continued to be that of the compounding of rubber and other elastomeric alloys.

Results and dividends

The profit for the year, after taxation, amounted to £773,304 (2016: 17 months to 31.12.16 - £1,296,037).

The directors have declared and paid a dividend of £nil (2016: £nil).

Future developments

The company will continue to try and consolidate its existing market position through technical advancement, customer service and strategic investment.

Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the period were:

Mr R J Wolkener

Mr C Ruter

Mr J E Dowdall (appointed 18.12.17)

Mr S W Lawton (resigned 18.12.17)

Mrs K Gunnarsson

Mr M Fryklund (appointed 18.7.17)

Directors' Report (continued)

For the Year Ended 31 December 2017

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements 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.

Principal risks and uncertainties

The company is exposed to a series of financial risks, which are described in more detail below. The directors review and agree policies for managing such risks. These policies have remained unchanged from previous years.

Currency risk

The company is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge, the company does not adopt an accounting policy of hedge accounting for these financial statements.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk, the directors set limits for customers. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft facilities.

Research and development activities

The company develops and improves products on an incremental basis as part of its normal operations.

Directors' Report (continued)

For the Year Ended 31 December 2017

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the period end.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 7 September 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'J E Dowdall', with a stylized, cursive flourish at the end.

Mr J E Dowdall
Director

Opinion

We have audited the financial statements of Berwin Rubber Company Limited for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the related notes 1 to 27, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 this 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 the 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 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 or 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 3, 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

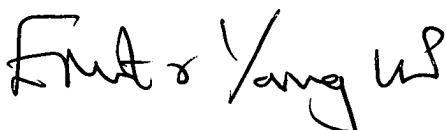
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 <https://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



Julian Yates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

12/9/18

Statement of Income and Retained Earnings

For the Year Ended 31 December 2017

	Note	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Turnover	4	24,900,144	30,108,422
Cost of sales		(16,813,091)	(19,222,492)
Gross profit		8,087,053	10,885,930
Administrative expenses		(7,114,417)	(9,278,509)
Operating profit	5	972,636	1,607,421
Interest receivable and similar income	9	10,081	7,590
Interest payable and expenses	10	-	(13,405)
Profit on ordinary activity before tax		982,717	1,601,606
Tax on profit	11	(209,413)	(305,569)
Profit after tax and total comprehensive income		773,304	1,296,037
		2017	2016
Retained earnings at the beginning of the period		10,912,405	9,866,368
		10,912,405	9,866,368
Profit for the period		773,304	1,296,037
Dividends declared and paid	12	-	(250,000)
Retained earnings at the end of the period		11,685,709	10,912,405

The notes on pages 9 to 24 form part of these financial statements.

Berwin Rubber Company Limited

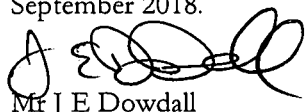
For the year ended 31 December 2017

Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 £	31 December 2016 £
Fixed assets			
Tangible assets	13	2,603,557	2,712,849
		<u>2,603,557</u>	<u>2,712,849</u>
Current assets			
Stocks	14	1,942,127	1,028,098
Debtors: amounts falling due within one year	15	15,131,609	13,647,891
Cash at bank and in hand	16	1,309,368	1,759,836
		<u>18,383,104</u>	<u>16,435,825</u>
Creditors: amounts falling due within one year	17	(9,178,926)	(8,079,128)
Net current assets		<u>9,204,178</u>	<u>8,356,697</u>
Total assets less current liabilities		<u>11,807,735</u>	<u>11,069,546</u>
Creditors: amounts falling due after more than one year	18	(20,000)	(20,000)
Provisions for liabilities			
Deferred tax	20	(100,026)	(135,141)
		<u>(100,026)</u>	<u>(135,141)</u>
Net assets		<u><u>11,687,709</u></u>	<u><u>10,914,405</u></u>
Capital and reserves			
Called up share capital	21	2,000	2,000
Profit and loss account	22	11,685,709	10,912,405
		<u><u>11,687,709</u></u>	<u><u>10,914,405</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 September 2018.



Mr J E Dowdall
Director

The notes on pages 9 to 24 form part of these financial statements.

Berwin Rubber Company Limited
Notes to the financial statements

For the year ended 31 December 2017

1. General information

Berwin Rubber Company Limited is a limited company incorporated in England and Wales. Its registered head office is at Broadway, Globe Lane Industrial Estate, Dukinfield, Cheshire, SK16 4UJ.

The principal activity of the company continued to be that of the compounding of rubber and other elastomeric alloys.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of the ultimate parent entity, Hexpol AB as at 31 December 2017 and these financial statements may be obtained from Hexpol AB, Skeppsbron 3, SE-211 20 Malmö, Sweden.

2.3 Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover is recognised at the point goods are delivered.

Berwin Rubber Company Limited
Notes to the financial statements

For the year ended 31 December 2017

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold land and buildings	- 14 to 35 years
Plant and machinery	- 3 to 12 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or

Berwin Rubber Company Limited
Notes to the financial statements

For the year ended 31 December 2017

2.9 Financial instruments (continued)

received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Income and Retained Earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Creditors

Short term 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.

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the

Berwin Rubber Company Limited
Notes to the financial statements

For the year ended 31 December 2017

2.11 Foreign currency translation (continued)

transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 August 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in an independently administered funds.

Berwin Rubber Company Limited
Notes to the financial statements

For the year ended 31 December 2017

2.16 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Notes to the Financial Statements

For the Year Ended 31 December 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

Stock provision:

The stock provision is determined by ageing of stock. An appropriate level of provision is then applied based on historic experience and management judgement.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
United Kingdom	23,092,932	28,821,128
Rest of Europe	1,435,582	388,522
Rest of the world	371,630	898,772
	<u>24,900,144</u>	<u>30,108,422</u>

5. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Research & development charged as an expense	33,073	45,027
Depreciation of tangible fixed assets	686,898	913,119
Exchange differences	5,898	(22,391)
Operating lease rentals	185,650	275,913
(Profit) on sale of tangible assets	<u>-</u>	<u>(18,530)</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

6. Auditor's remuneration

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>24,000</u>	<u>15,500</u>
Fees payable to the company's auditor and its associates in respect of:		
Taxation	<u>-</u>	<u>3,000</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Wages and salaries	2,965,035	4,431,241
Social security costs	307,158	442,444
Cost of defined contribution scheme	<u>111,642</u>	<u>108,858</u>
	<u>3,383,835</u>	<u>4,982,543</u>

The average monthly number of employees, including the directors, during the period was as follows:

	Year ended 31 December 2017 No.	Period ended 31 December 2016 No.
Office and management	23	24
Production and sales	70	82
	<u>93</u>	<u>106</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

8. Directors' remuneration

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Directors' emoluments	<u>253,802</u>	<u>617,797</u>

The highest paid director received remuneration of £136,043 (2016 - £167,068).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to Nil (2016 - £NIL).

During the period retirement benefits were accruing to 1 directors (2016 - 3)

9. Interest receivable

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Other interest receivable	<u>10,081</u>	<u>7,590</u>

10. Interest payable and similar charges

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Bank interest payable	<u>-</u>	<u>13,405</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

11. Taxation

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Corporation tax		
Current tax on profits for the year	250,576	405,518
Adjustments in respect of previous periods	(6,048)	-
Total current tax	244,528	405,518
Deferred tax		
Origination and reversal of timing differences	(44,586)	(64,686)
Adjustment in respect of previous periods	4,268	(35,263)
Effect of tax rate change on opening balance	5,203	-
Taxation on profit on ordinary activities	(35,115)	(99,949)
Total tax per income statement	209,413	305,569

Factors affecting tax charge for the year

The charge for the year can be recorded to the profit per the account statement as follows:

	2017 £	2016 £
Profit on ordinary activities before tax	982,717	1,601,606
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 19.25%)	189,173	320,321
Effects of:		
Expenses not deductible for tax purposes	16,818	1,643
Fixed asset differences	-	18,970
Tax rate adjustments	5,203	-
Roundings	(1)	-
Amounts credited directly to equity or otherwise transferred	-	31
Group relief	-	(11,548)
Adjust closing deferred tax to average rate of 20.00%	-	(23,848)
Adjustments from previous periods	(1,780)	-
Total tax charge for the period/year	209,413	305,569

Notes to the Financial Statements

For the Year Ended 31 December 2017

12. Taxation (continued)

Factors that may affect future tax charges

The 2016 spring budget proposed that the main corporation tax rate will be further reduced from 19% to 17% from 1 April 2020. These changes were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Dividends

	31 December 2017 £	31 December 2016 £
Dividends paid on A Ordinary Shares of £Nil per share (2016: £2,500)	-	250,000

13. Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2017	2,011,288	11,648,779	13,660,067
Additions	-	577,606	577,606
At 31 December 2017	2,011,288	12,226,385	14,237,673
Depreciation			
At 1 January 2017	1,767,108	9,180,110	10,947,218
Charge for the period on owned assets	66,960	619,938	686,898
At 31 December 2017	1,834,068	9,800,048	11,634,116
Net book value			
At 31 December 2017	177,220	2,426,337	2,603,557
At 31 December 2016	244,180	2,468,669	2,712,849

Notes to the Financial Statements

For the Year Ended 31 December 2017

14. Stocks

	31 December 2017 £	31 December 2016 £
Raw materials and consumables	1,817,197	977,210
Work in progress	61,673	20,198
Finished goods and goods for resale	63,257	30,690
	<u>1,942,127</u>	<u>1,028,098</u>

Stock recognised in cost of sales during the period as an expenses was £ £16,812,780 (2016 - £19,081,750).

An impairment loss of Nil (2016 Nil) was recognised in cost of sales against stock during the period due to slow moving and obsolete stock.

15. Debtors

	31 December 2017 £	31 December 2016 £
Trade debtors	5,197,989	4,506,024
Amounts owed by group companies	8,084,315	8,198,528
Amounts owed by parent company	1,752,979	750,856
Other debtors	-	-
Prepayments and accrued income	96,326	192,483
	<u>15,131,609</u>	<u>13,647,891</u>

16. Cash and cash equivalents

	31 December 2017 £	31 December 2016 £
Cash at bank and in hand	<u>1,309,368</u>	<u>1,759,836</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

17. Creditors: Amounts falling due within one year

	31 December 2017 £	31 December 2016 £
Trade creditors	4,712,953	2,824,498
Amounts owed to group undertakings	3,744,144	3,928,826
Corporation tax	144,682	169,640
Other taxation and social security	57,539	243,194
Other creditors	41,998	16,151
Accruals and deferred income	477,610	896,819
	<u>9,178,926</u>	<u>8,079,128</u>

18. Creditors: Amounts falling due after more than one year

	31 December 2017 £	31 December 2016 £
Preference shares classed as a financial liability	<u>20,000</u>	<u>20,000</u>

Non-equity deferred shares classed as a financial liability relate to shares which have no right to dividends or capital.

Notes to the Financial Statements

For the Year Ended 31 December 2017

19. Financial instruments

	31 December 2017 £	31 December 2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	15,035,283	13,455,408
	<u>15,035,283</u>	<u>13,455,408</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(8,976,705)	(7,638,715)
	<u>(8,976,705)</u>	<u>(7,638,715)</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed to group undertakings, other debtors and accrued income

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals

20. Deferred taxation

	2017 £	2016 £
At beginning of year	135,141	235,090
Deferred tax charge to income statement for the period (note 10)	(35,115)	(99,949)
At end of year	<u>100,026</u>	<u>135,141</u>

The provision for deferred taxation is made up as follows:

	31 December 2017 £	31 December 2016 £
Fixed asset timing differences	125,181	161,199
Short term timing differences	(25,155)	(26,058)
	<u>100,026</u>	<u>135,141</u>
Deferred tax (assets)		
Recoverable within 12 months	(25,155)	(26,058)
	<u>(25,155)</u>	<u>(26,058)</u>
Deferred tax liabilities		
Payable after 12 months	125,181	161,199
	<u>125,181</u>	<u>161,199</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

21. Share capital

	31 December 2017 £	31 December 2016 £
Shares classified as equity		
Allotted, called up and fully paid		
100- Equity 'A' ordinary shares of £1 each shares of £1 each.	100	100
1,900- Equity 'B' ordinary shares of £1 each shares of £1 each	1,900	1,900
	<u>2,000</u>	<u>2,000</u>

The 'A' ordinary and 'B' ordinary shares rank pari passu in all material aspects.

22. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

23. Capital commitments

At 31 December 2017 the company had capital commitments as follows:

	31 December 2017 £	31 December 2016 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>-</u>

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost change represents contributions payable by the company to the fund and amounted to £111,642 (2016: £104,147). Contributions totalling £17,969 (2016: £15,216) were payable to the fund at the year end and are included in creditors.

Notes to the Financial Statements

For the Year Ended 31 December 2017

25. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 £	31 December 2016 Restated £
Land and buildings		
Not later than 1 year	79,100	79,100
Later than 1 year and not later than 5 years	316,400	316,400
More than 5 years	7,039,900	7,119,000
Total commitments under operating leases	<u>7,435,400</u>	<u>7,514,500</u>

	31 December 2017 £	31 December 2016 £
Other		
Not later than 1 year	39,893	114,178
Later than 1 year and not later than 5 years	14,928	158,795
Later than 5 years	-	-
Total commitments under operating leases	<u>54,821</u>	<u>272,973</u>

During 2017, following a review of leases agreements, the directors concluded that the commitments under operating leases note should be restated to reflect the full term of two long term land agreements. As a result, the total lease commitment for 2016 has been restated from £395,500 to £7,514,500.

26. Related party transactions

The company has taken advantage of the exemption available in FRS 102, section 33.1a "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

Balances with group undertaking are disclosed in note 15 and note 17 to the financial statements. Key management personnel remuneration totalled £253,802 (2016: £338,978).

Notes to the Financial Statements

For the Year Ended 31 December 2017

27. Controlling party

The directors consider the ultimate parent company to be Hexpol AB, a company registered in Sweden. Berwin Group Limited is the immediate controlling party and is under the control of Hexpol AB. Copies of the consolidated financial statements of Hexpol AB can be obtained from Skeppsbron 3, SE-211 20 Malmö, Sweden.