

# **ABI (UK) Limited**

## **Directors' report and financial statements**

**Registered number 3553786**

**Year ended 31 August 2017**

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## Company information

<b>Directors</b>	M G Copper R J Jones D A Hague P A Clackstone
<b>Secretary</b>	R J Jones
<b>Bankers</b>	Barclays Bank PLC 6 East Parade Leeds LS1 2UX  HSBC Bank PLC 8 Canada Square London E14 5HQ
<b>Solicitors</b>	DLA LLP Princes Exchange Princes Square Leeds LS1 4BY
<b>Company number</b>	3553786
<b>Registered office</b>	Swinemoor Lane Beverley East Yorkshire HU17 0LJ
<b>Auditor</b>	KPMG LLP Chartered Accountants 1 Sovereign Square Sovereign Street Leeds LS1 4DA

## Strategic Report

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

### Principal activity and review of the business

The principal activity of the company is the manufacture and sale of Caravan Holiday Homes.

The key financial and other performance indicators during the year were as follows:

	2017 £000	2016 £000	Change %
Turnover	99,625	84,675	+17.7%
Operating profit	13,521	10,945	+23.5%
Profit after tax	10,624	8,500	+25.0%
Equity shareholders' funds	61,751	51,127	+20.8%
Average number of employees	456	402	+13.2%

The core market for our products increased during the financial year by 6.5% and manufacturing capacity was adjusted accordingly to ensure the business production output remained consistent with this change in demand.

### Principal risks and uncertainties

#### Competitive risks

The business risks and uncertainties faced by the Company are considered to be market competition, the state of the UK economy and its impact on demand. The business manages this risk by maintaining strong relationships with its customers and by adapting to market demands and the needs of these customers.

#### Referendum risk

The outcome of the last year's referendum on membership of the EU has brought added uncertainty to the business. The impact of the ongoing negotiations to leave the EU on economic grounds, consumer confidence and exchange rates are unknown. The company manages these risks by adapting its product offering to changes in input costs and customer demands.

#### Financial instrument risks

The company manages its exposure to movements in interest rates in relation to its senior debt by swapping a proportion of its debt from a floating interest rate to a fixed rate. The company has no other financial instruments.


#### Use of derivatives

The company manages its exposure to variability in foreign exchange rates by conducting its trade mainly in sterling. The company does not use forward foreign exchange contracts.

#### Exposure to credit, liquidity and cash flow risk

Credit risk is managed by the application of credit worthiness and collection procedures. The company manages its cash flow risk and liquidity risk by ensuring the group has the availability of adequate working capital facilities.

This report was approved by the Board on 27 November 2017 and signed on its behalf by:



R J Jones  
Secretary

## Directors' Report

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

### Results and dividends

The profit for the year after taxation amounted to £10,624,000 (*2016: profit of £8,500,000*). The company has paid an interim dividend of £nil (*2016: £nil*) during the year. The directors do not recommend a final dividend (*2016: £nil*).

Preference dividends of £nil (*2016: £nil*) were declared during the year. See note 8 for further information.

### Research and development

The company invests in research and development to continue to develop its products and production process.

### Future developments

Caravan manufacturing remains the core business and continues to show healthy margins in the long term.

### Financial instruments

The company has not entered into any financial instruments.

### Going concern

After making enquiries and having reviewed available facilities, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Directors

The directors who served the company during the year were as follows:

M G Copper

R J Jones

D A Hague

P A Clackstone

### Disabled employees

During the year, the company continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's trading position and of any significant organisational changes.

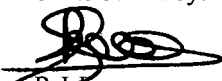
It is the policy of the company to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled while in the employment of the company, as well as generally through training and career development.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

Ernst & Young LLP resigned as auditor during the period and KPMG LLP were appointed to fill the vacancy. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office. This report was approved by the Board on 27 November 2017 and signed on its behalf by:

  
R J Jones  
Secretary

Swinemoor Lane  
Beverley  
HU17 0LJ

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
United Kingdom

### **Independent auditor's report to the members of ABI (UK) Limited**

#### **Opinion**

We have audited the financial statements of ABI (UK) Limited ("the company") for the year ended 31 August 2017 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent auditor's report to the members of ABI (UK) Limited (continued)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

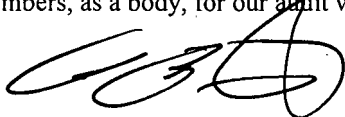
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Ian Beaumont** (Senior Statutory Auditor)

For and on behalf of

**KPMG LLP**

**Statutory Auditor**

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

West Yorkshire

LS1 4DA

27 November 2017



**Statement of comprehensive income**  
*for the year ended 31 August 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>99,625</b>	<b>84,675</b>
Cost of sales		<b>(83,073)</b>	<b>(71,236)</b>
<b>Gross profit</b>		<b>16,552</b>	<b>13,439</b>
Administrative expenses		<b>(3,031)</b>	<b>(2,494)</b>
<b>Operating profit</b>	<b>3</b>	<b>13,521</b>	<b>10,945</b>
Profit on sale of fixed assets		-	6
Interest receivable and similar income		<b>1</b>	6
Interest payable and similar charges	<b>6</b>	<b>(241)</b>	<b>(237)</b>
<b>Profit on ordinary activities before taxation</b>		<b>13,281</b>	<b>10,720</b>
Tax on profit on ordinary activities	<b>7</b>	<b>(2,657)</b>	<b>(2,220)</b>
<b>Profit for the financial year</b>		<b>10,624</b>	<b>8,500</b>

The notes on pages 12 to 20 form an integral part of these financial statements.

All amounts relate to continuing operations.

## Balance sheet

At 31 August 2017

	Note	£'000	2017 £'000	2016 £'000
<b>Fixed assets</b>				
Tangible assets	9		6,701	4,385
<b>Current assets</b>				
Stocks	10	3,295		2,828
Debtors	11	58,814		52,695
Cash at bank and in hand		6,075		2,787
		<u>68,184</u>		<u>58,310</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(13,134)</u>		<u>(11,568)</u>
<b>Net current assets</b>			<u>55,050</u>	<u>46,742</u>
<b>Total assets less current liabilities</b>			<u>61,751</u>	<u>51,127</u>
<b>Provisions for liabilities</b>				
Deferred taxation	7 (c)		-	-
<b>Net assets</b>			<u>61,751</u>	<u>51,127</u>
<b>Capital and reserves</b>				
Called up share capital	13		7,059	7,059
Other reserve	16		1,410	1,417
Profit and loss account			53,282	42,651
<b>Shareholders' funds</b>			<u>61,751</u>	<u>51,127</u>

The notes on pages 12 to 20 form an integral part of these financial statements.

These financial statements were approved by the board on 2017 and were signed on its behalf by:

  
M G Cooper  
Director

Registration number 3553786

**Statement of changes in equity**  
*for the year ended 31 August 2017*

	Called up share capital £'000	Other Reserve £'000	Profit and Loss account £'000	Total equity £'000
<b>Balance at 1 September 2015</b>	7,059	1,424	34,144	42,627
Changes in equity:				
Total comprehensive income	-	-	8,500	8,500
Transfer between reserves	-	(7)	7	-
<b>Balance at 31 August 2016</b>	7,059	1,417	42,651	51,127
<b>Balance at 1 September 2016</b>	7,059	1,417	42,651	51,127
Changes in equity:				
Total comprehensive income	-	-	10,624	10,624
Transfer between reserves	-	(7)	7	-
<b>Balance at 31 August 2017</b>	7,059	1,410	53,282	61,751

The notes on pages 12 to 20 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Statement of compliance and Basis of preparation*

ABI (UK) Limited is a company limited by shares incorporated in England. The registered office is Swinemoor Lane, Beverley, East Yorkshire HU17 0LJ. The financial statements have been prepared in compliance with Financial Reporting Standard 102, as it applies to the financial statements of the Company for the year ended 31 August 2017. The financial statements are prepared in sterling which is the functional currency of the company and are rounded to the nearest thousand (£'000). The Company proposes to continue to adopt FRS 102 in its next financial statements.

ABI (UK) Limited is a wholly owned subsidiary of ABI Midco Limited, registered in England and Wales, and has taken advantage of section 400 of the Companies Act 2006 in that group financial statement have not been prepared. The financial statements present information about the company as an individual undertaking and not about its group.

ABI Midco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of ABI Midco are prepared in accordance with FRS 102 and are available to the public and may be obtained from Swinemoor Lane, Beverley, HU17 0LJ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

#### *Judgements and key sources of estimation uncertainty*

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for turnover and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no judgements or material estimation uncertainties affecting the reported financial performance in the current or prior year.

#### **Going concern**

After making enquiries and having reviewed available facilities, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The following principal accounting policies have been applied:

#### *Statement of cash flows*

The company has taken advantage of the exemption available under FRS 102 Section 1.12(b) not to prepare a statement of cash flows.

#### *Tangible fixed assets*

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	–	over 50 years
Fixtures and fittings, motor vehicles	–	20% straight-line basis
Plant and machinery	–	10% straight-line basis
Computer equipment	–	25% - 50% straight-line basis

## **Notes (continued)**

### **1 Accounting policies (continued)**

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Turnover recognition***

Turnover is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised:

#### ***Sale of goods***

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### ***Debtors***

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

#### ***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 accounts receivable and payable, 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 payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or 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.

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 comprehensive income.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Creditors*

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

#### *Interest-bearing loans and borrowings*

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

#### *Taxation*

Tax is recognised in the Profit and loss account, except that a change 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 balance sheet date in the countries where the Company operates and generates income.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

#### *Operating leases: the Company as lessee*

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

#### *Pensions*

The company operates a stakeholder pension scheme for employees and a money purchase pension scheme for directors. The assets of the schemes are invested and managed independently of the finances of the company. The pension cost charge relates to the money purchase scheme and represents contributions payable in the period.

## Notes (continued)

### 2 Turnover

Turnover originates in the UK from the company's continuing principal activity, being the manufacture and sales of caravan holiday homes. Turnover, which excludes value added tax, is analysed by geographical area below:

	2017 £000	2016 £000
UK	96,183	82,854
Europe (excluding United Kingdom)	3,442	1,821
	<u>99,625</u>	<u>84,675</u>

Turnover for 2016 has been represented to be shown net of customer rebates, previously classified within cost of sales.

### 3 Operating profit

	2017 £000	2016 £000
Auditors' remuneration:		
– audit services	57	42
– other services	18	18
	<u>75</u>	<u>60</u>
Depreciation charge for the year:		
– tangible owned fixed assets	368	333
Operating leases:		
– hire of plant and machinery	93	92
– hire of land and buildings	125	125
	<u>218</u>	<u>210</u>

Included within auditors' remuneration for audit services, is £10,000 in respect of the audit, of ABI (UK) Holdings Limited, ABI (UK) Group Limited, ABI Alpha Limited and ABI Beta Limited, ABI Bidco Limited, ABI Midco Limited and ABI Topco Limited.

### 4 Directors remuneration

The remuneration paid or repayable to the company's directors are:	2017 £000	2016 £000
Aggregate remuneration:		
Remuneration	987	894
Contributions to money purchase pension schemes	16	33
	<u>1,003</u>	<u>927</u>
In respect of the highest paid director:		
Remuneration	387	357
Contributions to money purchase pension schemes	-	18
Aggregate remuneration	<u>387</u>	<u>375</u>

There are 3 directors accruing retirement benefits under money purchase pension schemes (2016: 4).

## Notes (continued)

### 5 Staff costs

	2017 £000	2016 £000
Wages and salaries	15,343	14,406
Social security costs	1,589	1,507
Employer pension contributions	188	154
	<u>17,120</u>	<u>16,067</u>

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

	2017 No.	2016 No.
Production	419	373
Office and management	37	29
	<u>456</u>	<u>402</u>

### 6 Interest payable and similar charges

	2017 £000	2016 £000
<b>Interest payable on amounts wholly due within five years:</b>		
Interest and charges on financing of trade debtors	241	237
	<u>241</u>	<u>237</u>

### 7 Tax

#### a.) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017 £000	2016 £000
<i>Current tax</i>		
UK corporation tax on the profit for the year	2,193	1,803
Group relief payable	466	420
Adjustment in respect of previous year	(37)	25
	<u>2,621</u>	<u>2,248</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	9	(17)
Adjustments in respect of previous periods	27	(16)
Effects of changes in tax rate periods	-	5
	<u>36</u>	<u>(28)</u>
Total deferred tax on closing liability	<u>36</u>	<u>(28)</u>
Total tax	<u>2,657</u>	<u>2,220</u>



## Notes (continued)

### 7 Tax (continued)

#### b.) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.58% (2016 – 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	13,281	10,720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.58% (2016 – 20%)	2,600	2,144
Effects of:		
Disallowed expenses and non-taxable income	67	62
Deferred tax rate changes	-	5
Prior year adjustments	(10)	9
Current tax for the year (note 7(a))	2,657	2,220

#### c.) Deferred tax

	2017 £000	2016 £000
Deferred Tax (asset)/liability		
At 1 September	(46)	(18)
Provided during the year	9	(17)
Adjustments in respect of prior year	27	(16)
Effect of changes of tax rate on closing liability	-	5
At 31 August	(10)	(46)
The deferred tax consists of:		
Accelerated capital allowances	18	(23)
Other timing differences	(28)	(23)
	(10)	(46)

This is presented in note 11 as a deferred tax asset.

#### d.) Factors that may affect future tax charge

A reduction in the UK Corporation Tax rate from 20% to 19% (effective 1 April 2017) was substantially enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Deferred tax has been provided at 17% being the rate enacted at the balance sheet date.

## Notes (continued)

### 8 Dividends

	2017 £000	2016 £000
Dividend on ordinary shares	-	-

### 9 Tangible fixed assets

	Land and buildings	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
<b>Cost</b>					
At 1 September 2016	3,265	2,566	431	355	6,617
Additions	2,303	354	27	-	2,684
Disposals	-	-	-	-	-
At 31 August 2017	5,568	2,920	458	355	9,301
<b>Depreciation</b>					
At 1 September 2016	74	1,679	203	276	2,232
Charge for the year	58	211	69	30	368
Disposals	-	-	-	-	-
At 31 August 2017	132	1,890	272	306	2,600
<b>Net book value</b>					
At 31 August 2017	5,436	1,030	186	49	6,701
At 1 September 2016	3,191	887	228	79	4,385

Included in land and buildings are is freehold land with a net book value of £1,412,000 (2016: £1,412,000).

### 10 Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,276	1,055
Work in progress	1,403	1,238
Finished goods	616	535
	3,295	2,828

The replacement cost of the above stocks is not significantly different from the book values. Stocks recognised as an expense in the year were £62,832,000 (2016: £53,872,000).

## Notes (continued)

### 11 Debtors

	2017 £000	2016 £000
Debtors falling due within one year:		
Trade debtors	24,023	21,000
Other debtors	836	728
Prepayments and accrued income	701	652
Deferred tax asset (note 7c)	10	46
Amounts owed by controlling undertakings	33,244	30,269
	<u>58,814</u>	<u>52,695</u>

### 12 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	9,261	8,028
Current corporation tax	706	917
Other taxation and social security costs	449	305
Other creditors	395	508
Accruals and deferred income	1,914	1,673
Amounts due to controlling undertakings	409	137
	<u>13,134</u>	<u>11,568</u>

Amounts owed to group undertakings are interest free and repayable on demand.

### 13 Called up share capital

	No.	2017 £000	No.	2016 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	2,000,000	2,000	2,000,000	2,000
6% cumulative preference shares of £1 each	3,000,000	3,000	3,000,000	3,000
15% cumulative preference shares of £1 each	2,059,000	2,059	2,059,000	2,059
		<u>7,059</u>		<u>7,059</u>

The cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 6% and 15% per annum. The preference shares carry the right on winding up the company or other return of capital of the company, in priority to the holders of any other classes of shares, to the amount in respect of each preference share held equal to the amount paid up thereon and any premium paid. The preference shares carry no other rights to shares in the profits or assets of the company. All rights to preference dividends have been waived by shareholders and as a result the shares are retained within equity.

### 14 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements was £100,000 (2016: £nil).

## Notes (continued)

### 15 Pensions

The company operates a defined contribution and stakeholder pension scheme whereby contributions are made to the scheme operated by a number of major insurance companies. The amount charged to the profit and loss account is disclosed in note 5. There are £7,685 of contributions at the year-end (2016: £nil).

### 16 Reserves

#### Other reserve

This reserve records the amount transferred from revaluation reserve to retained earnings on the transition to FRS 102, at which point previous assets stated at valuation were transferred at deemed cost under the transition exemption stated in Section 35.10 (d) of FRS 102.

### 17 Other financial commitments

At 31 August 2017 the company had commitments under non-cancellable operating leases as set out below:

	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	125	89	125	79
In two to five years	435	49	475	61
Over five years	-	-	79	-
	<u>560</u>	<u>138</u>	<u>679</u>	<u>140</u>

### 18 Related party transactions

The group has taken advantage of the exemption available under FRS 102 Section 33.1a not to disclose transactions with other group companies which are members of the group headed by ABI Midco Limited.

### 19 Ultimate parent undertaking and controlling party

At 31 August 2017, the ultimate controlling party was CBPE Capital LLP.

The smallest and largest group in which the results of the company are consolidated and publicly available is that headed by ABI Midco Limited. A copy of their financial statements can be obtained from Swinemoor Lane, Beverley, HU17 0LJ.