REGISTERED NUMBER: 02232268 (England and Wales)

Strategic Report,

Report of the Directors and

Financial Statements

for the Year Ended

31 March 2017

for

John King Chains Limited

John King Chains Limited (Registered number: 02232268)

Contents of the Financial Statements for the Year Ended 31 March 2017

John King Chains Limited

Company Information
for the Year Ended 31 March 2017

DIRECTORS:	D W Wadsworth Mrs R A V Wadsworth D J Wood
SECRETARY:	D J Wood
REGISTERED OFFICE:	New Climax Works Lancaster Close Sherburn in Elmet Leeds West Yorkshire LS25 6NS
REGISTERED NUMBER:	02232268 (England and Wales)
AUDITORS:	Kirk Newsholme Chartered Accountants and Statutory Auditors 4315 Park Approach Thorpe Park Leeds West Yorkshire LS15 8GB

John King Chains Limited (Registered number: 02232268)

Strategic Report
for the Year Ended 31 March 2017

The directors present their strategic report for the year ended 31 March 2017.

REVIEW OF BUSINESS
As shown in the company's profit and loss account on page 9 the company has not only maintained its turnover year on year, but slight growth has been achieved, despite the concentration during the year on brand protection for future growth and the investment in the legal costs of implementing this. The company has managed to protect its margins despite increased competition in all areas of its operations. Due to the cost of brand protection and the expenses of this in the year, the company expects significant profit increases in the coming year as new products are introduced, and new markets become a focus.

The overseas market remains a key growth area of operation for the company, accounting for 45% of sales. During the year we have seen growth of 12% in overseas markets. The directors have continued to pursue their goal of steady expansion in Europe and the South American and Asian continents with North America a key focus for the coming year.

The balance sheet on page 10 of the financial statements shows that the company's financial position is consistent with growth experienced in the business over the last 12 months. Retained earnings have increased by 12% and the year-end cash balance stands at £1,246,000.

Key performance indicators

	Note	2017	2016
Return on capital employed (ROCE)	1	13.6%	23%
Gross margin	2	40%	42%
Earnings before interest and tax as % of turnover	3	7.5%	12.5%
Annualised sales growth	4	0.6%	4%

Source data is taken from the audited financial statements.

Notes to KPI's.
1. Return on capital employed = Operating profit as a percentage of shareholders funds plus interest bearing long-term liabilities.

The company aims to increase shareholder value and measures performance against this objective by measuring ROCE.

Due to the significant legal costs of brand protection over the last 12 months, ROCE has fallen but is still at an acceptable level.

2. Gross Margin = Gross profit as a percentage of turnover

The company aims to maximise profit available for distribution to shareholders as measured by Gross Margin.

Although margin has seen a slight decrease, we are still happy with the result achieved. Higher wages through the national living wages increases, exchange rates, and higher steel prices have all played a part in the last 12 months, and we have overcome this with good controls to minimise the risks associated.

3. Earnings before Interest & Taxes = Turnover minus expenses, except tax and interest, as a percentage of Turnover.

The company's strategies can only be achieved through good stable returns, both for its shareholders, and to invest in future projects.

Despite a decrease over the financial year this is understandable based on the significant costs incurred in the achievement of protecting the company's brand in the global market.

4. Annualised sales growth = the annual increase in Turnover as a percentage of turnover from the prior year.

The company aims to increase shareholder value through growth in turnover, linked to profitability (see gross margin above).

After the result of the EU referendum business was always going to see an effect on its outcome, especially in European markets. The build up to the referendum itself was also a slow process which effected business decisions in the market place. Based on this we changed strategy to ensure other global markets could make up for any reduction the effect of the referendum had, and were successful in this regard. Despite the above growth was still achieved, and we are confident for further success over the following twelve months to come.

PRINCIPAL RISKS AND UNCERTAINTIES

Major customer loss

The market for Chain and Conveyor Accessories remains highly competitive. The company seeks to manage the risk of losing customers to key competitors by the provision of added value services to customers, improving response times in the supply of products and the handling of customer queries and by maintaining strong relationships and local representation with key customers.

There is no one customer that represents more than 10 % of turnover and the directors maintain a close relationship with all key customers to ensure continuity. The sales team are tasked with constantly seeking out new customers to widen its customer base, whilst ensuring all current customers are given equal attention and service. The company employs stringent monitoring of production quality, maintenance of customer delivery requirements and customer relationship issues to identify potential customer concerns at an early stage.

Contractual risk

The company is starting to see an increase in its turnover represented by large contracts many of which are for overseas clients. Contracts are assessed for their risk factors prior to acceptance. For higher risk contracts, the company will require stage payments of the total order value to ensure coverage of associated costs.

Reputational risk

As the company operates across the globe any damage to, or loss of reputation could be a major concern. Rigorous management attention and quality control procedures are in place to maximise right first time and on time delivery. Responsibility is taken for ensuring swift remedial action on any snags and complaints. Brand protection is important to minimise risk from competitors passing themselves off as a similar standard product.

Operational risk

Solid reporting systems and accurate and timely management information is reviewed by the directors monthly.

Brexit impact

The company is prepared for the economic and political uncertainty in the future resulting from the UK vote to leave the EU. The company still maintains its long term strategic aim of growing core products, the company will continue to expand its operations with new and existing customers.

Financial instruments

The company's operations expose it to a variety of financial risks including the effect of changes in interest rate on debt, foreign exchange rates, credit risk and liquidity risk.

The company's principal financial instruments comprise sterling cash and bank deposits, Euro and dollar bank deposits, bank loans and finance facilities, other loans and obligations under finance leases together with trade and other debtors and trade creditors that arise directly from operations.

The main risks arising from the company's financial instruments can be analysed as follows:

Price risk

The company has no significant exposure to securities price risk, as it holds no listed equity instruments.

Foreign currency risk
Sales to overseas countries are made in Euros and dollars. The company also purchases from Europe in Euros and in Dollars from overseas. The company is therefore exposed to movements in the Euro and Dollar to Sterling exchange rate. The Finance Director monitors the net exposure and where appropriate takes out forward contracts to fix the exchange rate. Pricing is also reflective of medium term currency expectations.

Credit risk
The company's principal financial assets are bank balances, cash and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade debtors, including related company balances. Credit risk is mitigated by a stringent management of customer credit limits by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The company also has credit insurance in place on its Euro and Dollar sales. The amounts presented in the balance sheet are net of allowance for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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 has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk
The company's policy has been to ensure continuity of funding through acquiring an element of the group's fixed assets under finance leases, and arranging funding for operations via medium-term loans and bank facilities to aid short term flexibility.

Cash flow interest rate risk
Interest rate bearing assets comprise cash and bank deposits, all of which earn interest at a fixed rate. The company does not operate an overdraft but instead has long term financing in place.

The company's policy is to maintain long term and other borrowings at fixed rates to fix the amount of future interest cash flows. The directors monitor the level of borrowings and interest costs to limit any adverse effects on financial performance of the company.

ON BEHALF OF THE BOARD:

D W Wadsworth - Director

24 November 2017

John King Chains Limited (Registered number: 02232268)

Report of the Directors
for the Year Ended 31 March 2017

The directors present their report with the financial statements of the company for the year ended 31 March 2017.

DIVIDENDS
Interim dividends totalling £135 per share were paid on the ordinary shares of £1 each.

Interim dividends totalling £1,370 per share were paid on both the Ordinary A share of £1 each and Ordinary B share of £1 each.

The directors recommend no final dividend be paid on these Ordinary A and B shares.

The total distribution of dividends for the year ended 31 March 2017 is £176,100.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report.

D W Wadsworth
Mrs R A V Wadsworth
D J Wood

Other changes in directors holding office are as follows:

J S R King and Mrs S J King ceased to be directors after 31 March 2017 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 judgements 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.

John King Chains Limited (Registered number: 02232268)

Report of the Directors
for the Year Ended 31 March 2017

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

D W Wadsworth - Director

24 November 2017

Report of the Independent Auditors to the Members of John King Chains Limited

We have audited the financial statements of John King Chains Limited for the year ended 31 March 2017 on pages nine to twenty seven. The financial reporting framework that has been applied in their preparation is 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'.

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Directors and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Report of the Directors and the Strategic Report has been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of John King Chains Limited

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 Report of the Directors.

We have nothing to report in respect of the following matters where 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 explanation we require for our audit.

Neill Rayland BA FCA (Senior Statutory Auditor)
for and on behalf of Kirk Newsholme
Chartered Accountants and Statutory Auditors
4315 Park Approach
Thorpe Park
Leeds
West Yorkshire
LS15 8GB

24 November 2017

John King Chains Limited (Registered number: 02232268)

Profit and Loss Account
for the Year Ended 31 March 2017

	Notes	2017 £	2017 £	2016 £	2016 £
TURNOVER	3		7,216,355		7,170,520
Cost of sales			4,354,405		4,177,596
GROSS PROFIT			2,861,950		2,992,924
Distribution costs		486,048		521,199	
Administrative expenses		1,863,904		1,657,084	
			2,349,952		2,178,283
			511,998		814,641
Other operating income	4		25,926		80,584
OPERATING PROFIT	7		537,924		895,225
Interest receivable and similar income			949		-
			538,873		895,225
Interest payable and similar expenses	8		68,603		76,246
PROFIT BEFORE TAXATION			470,270		818,979
Tax on profit	9		81,488		171,248
PROFIT FOR THE FINANCIAL YEAR			388,782		647,731
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			388,782		647,731

The notes form part of these financial statements

John King Chains Limited (Registered number: 02232268)

Balance Sheet
31 March 2017

	Notes	2017 £	2017 £	2016 £	2016 £
FIXED ASSETS					
Intangible assets	11		66,584		90,083
Tangible assets	12		2,651,503		2,898,397
Investments	13		1		1
			2,718,088		2,988,481
CURRENT ASSETS					
Stocks	14	1,967,611		1,742,923	
Debtors	15	1,857,472		2,055,596	
Cash at bank and in hand		1,246,158		571,517	
		5,071,241		4,370,036	
CREDITORS					
Amounts falling due within one year	16	3,673,245		3,272,636	
NET CURRENT ASSETS			1,397,996		1,097,400
TOTAL ASSETS LESS CURRENT LIABILITIES			4,116,084		4,085,881
CREDITORS					
Amounts falling due after more than one year	17		(1,067,186)		(1,231,952)
PROVISIONS FOR LIABILITIES	21		(183,575)		(201,288)
NET ASSETS			2,865,323		2,652,641
CAPITAL AND RESERVES					
Called up share capital	22		1,030		1,030
Share premium	23		10,670		10,670
Revaluation reserve	23		217,441		290,807
Retained earnings	23		2,636,182		2,350,134
SHAREHOLDERS' FUNDS			2,865,323		2,652,641

The financial statements were approved by the Board of Directors on 24 November 2017 and were signed on its behalf by:

D W Wadsworth - Director

The notes form part of these financial statements

John King Chains Limited (Registered number: 02232268)

Statement of Changes in Equity
for the Year Ended 31 March 2017

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £	Total equity £
Balance at 1 April 2015	1,020	1,954,889	7,480	297,821	2,261,210
Changes in equity					
Issue of share capital	10	-	3,190	-	3,200
Dividends	-	(259,500)	-	-	(259,500)
Total comprehensive income	-	647,731	-	-	647,731
Transfer of historical cost depreciation on revalued assets	-	7,014	-	(7,014)	-
Balance at 31 March 2016	1,030	2,350,134	10,670	290,807	2,652,641
Changes in equity					
Dividends	-	(176,100)	-	-	(176,100)
Total comprehensive income	-	388,782	-	-	388,782
Transfer of historical cost depreciation on revalued assets	-	1,517	-	(1,517)	-
Realisation on disposal of property	-	71,849	-	(71,849)	-
Balance at 31 March 2017	1,030	2,636,182	10,670	217,441	2,865,323

The notes form part of these financial statements

John King Chains Limited (Registered number: 02232268)

Cash Flow Statement
for the Year Ended 31 March 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	29	1,311,397	642,045
Interest paid		(48,026)	(53,386)
Interest element of hire purchase payments paid		(20,577)	(22,860)
Tax paid		(328,448)	(55,346)
Net cash from operating activities		914,346	510,453
Cash flows from investing activities			
Purchase of tangible fixed assets		(36,567)	(95,001)
Sale of tangible fixed assets		254,001	40,949
Interest received		949	-
Net cash from investing activities		218,383	(54,052)
Cash flows from financing activities			
Repayment of borrowings		(87,487)	(90,089)
Hire purchase repayments in year		(156,247)	(171,880)
Amounts withdrawn by directors		(38,254)	(35,581)
Share issue		-	3,200
Equity dividends paid		(176,100)	(259,500)
Net cash from financing activities		(458,088)	(553,850)
Increase/(decrease) in cash and cash equivalents		674,641	(97,449)
Cash and cash equivalents at beginning of year	30	571,517	668,966
Cash and cash equivalents at end of year	30	1,246,158	571,517

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

John King Chains Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The principal activities of the company are the manufacture, procurement and supply of conveying chains, sprockets and ancillary components, and laser profiling, forming and general fabrication.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention modified to include certain items at deemed cost.

The functional currency of the company is considered to be pounds sterling.

Turnover
Turnover is stated net of value added tax and trade discounts and is recognised when the significant risks and rewards are considered to have transferred to the customer, usually upon despatch.

Turnover from the supply of services represents the value of services provided.

Goodwill
Goodwill arising on the acquisition of a business, representing any excess of fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its economic life, which is ten years. Provision is made for any impairment.

Tangible fixed assets
Tangible fixed assets are stated at purchase cost together with any incidental expenses of acquisition, net of depreciation and any provision for impairment. For certain items, the company has elected to use deemed cost on the date of transition to FRS 102.

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life.

Freehold buildings	- 50 years
Plant and machinery	- 10% - 33.3%
Fixtures and fittings	- 10% - 33.3%
Motor vehicles	- 25%

No depreciation has been provided for the final nine months of the year in respect of freehold buildings as the directors are of the opinion that its carrying value is already below its estimated residual value.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already at the age and in condition expected at the end of its useful life.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use.

continued...

2. **ACCOUNTING POLICIES - continued**

The gain or loss arising on the disposal of an asset is determined on the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Investments
Where the value of other investments can be reliably measured they are measured at fair value through the profit and loss account. Where fair value cannot be measured reliably other investments are measured at cost less impairment.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

Stocks
Stocks are valued at the lower of cost and estimated selling price less costs to sell, which is equivalent to net realisable value. Cost is calculated using the FIFO (first in first out) method and 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. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation
Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are recognised in the profit and loss account.

Hire purchase and leasing commitments
Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

continued...

2. **ACCOUNTING POLICIES - continued**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such basis.

Employee benefits
The cost of short term employee benefits are recognised as a liability and an expense. Where material, the cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme and that of directors' personal pension schemes are charged to profit or loss in the period to which they relate.

Government grants
Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in the profit and loss account over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Financial instruments
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The following assets and liabilities are classified as basic financial instruments - trade debtors, other debtors, directors' current accounts, cash and bank balances, trade creditors, other creditors and bank loans.

Trade debtors, other debtors, directors' current accounts, cash and bank balances, trade creditors and other creditors are measured at the amortised cost equivalent to the undiscounted amount of cash or other consideration expected to be paid or received.

Bank loans are initially measured at the present value of future payments, discounted at a market rate of interest and subsequently measured at amortised cost using the effective interest method.

Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below.

Non financial assets
An asset is impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

continued...

2. **ACCOUNTING POLICIES - continued**

Financial assets
For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had the impairment loss not been recognised.

Critical accounting judgements and sources of estimation uncertainty
In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that the directors have made in applying the company's accounting policies and the key sources of estimation uncertainty that have had the most significant effect on the amounts recognised in the financial statements are described below:

Recoverability of trade and other debtors
Trade and other debtors include balances due from overseas companies in which one or more of the directors have personal shareholdings as detailed in note 26. These balances are all repayable on demand however it is uncertain as to whether these balances, particular the loan balance included within other debtors will be recovered within one year. These balances have been treated as fully recoverable and no impairment provisions or discounting using a market rate of interest to reflect the present value of future repayments has been applied to these balances. Whilst the timing of these repayments is currently unknown the directors consider that any discounting of the amounts involved is unlikely to be material.

Estimated useful lives and residual values of fixed assets
Depreciation of tangible fixed assets has been based on estimated useful lives and residual values deemed appropriate by the directors. Estimated useful lives and residual values are reviewed annually and revised as appropriate. Revisions take into account estimated useful lives used by other companies operating in the sector and actual asset lives and residual values, as evidenced by disposals during current and prior accounting periods.

Impairment of stock
The company establishes an impairment provision for stock estimated to realise a lower value than cost. When calculating the stock impairment provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of stocks and its estimated selling value less costs expected to be incurred to sell the item. The directors also consider the purchase history of the stock items to assess whether the items remain in use.

continued...

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	2017	2016
	£	£
Sale of goods	6,268,622	6,469,823
Rendering of services	947,733	700,697
	7,216,355	7,170,520

An analysis of turnover by geographical market is given below:

	2017	2016
	£	£
United Kingdom	3,982,150	4,286,505
Overseas Markets	3,234,205	2,884,015
	7,216,355	7,170,520

An analysis by business segment:

	2017	2016
	£	£
Manufacture & supply of chains	6,268,622	6,469,823
Laser profiling	947,733	700,697
	7,216,355	7,170,520

4. OTHER OPERATING INCOME

	2017	2016
	£	£
Rents received	10,746	17,194
Sundry receipts	-	17,332
Management charges receivable	15,180	46,058
	25,926	80,584

5. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	1,320,101	1,213,800
Social security costs	127,547	130,397
Other pension costs	42,818	45,499
	1,490,466	1,389,696

continued...

5. **EMPLOYEES AND DIRECTORS - continued**

The average monthly number of employees during the year was as follows:

	2017	2016
Management staff	6	6
Other staff	48	47
	54	53

6. **DIRECTORS' EMOLUMENTS**

	2017	2016
	£	£
Directors' remuneration	197,093	194,555
Directors' pension contributions to money purchase schemes	14,369	20,756

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	4	4

7. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Hire of plant and machinery	17,646	17,086
Other operating leases	35,988	52,298
Depreciation - owned assets	81,457	130,956
Depreciation - assets on hire purchase contracts	83,800	65,062
(Profit)/loss on disposal of fixed assets	(36,719)	481
Goodwill amortisation	23,499	23,500
Auditors' remuneration	10,750	10,500
Foreign exchange differences	(34,910)	(13,298)
Amortisation of government grant	(10,000)	(10,000)
Cost of stock recognised as an expense	3,651,020	3,514,690
Impairment of trade debtors	39,698	25,501
Impairment of stock	-	18,843

8. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Bank interest	-	343
Bank loan interest	24,981	26,895
Interest on other loans	23,045	26,148
Hire purchase	20,577	22,860
	68,603	76,246

continued...

9. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	90,766	174,492
Prior year (over)/provision	(1,565)	(1,626)
Total current tax	89,201	172,866
Deferred tax:		
Deferred tax	351	(8,427)
Deferred tax prior year under provision	(8,064)	6,809
Total deferred tax	(7,713)	(1,618)
Tax on profit	81,488	171,248

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit before tax	470,270	818,979
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	94,054	163,796
Effects of:		
Expenses not deductible for tax purposes	4,909	2,269
Income not taxable for tax purposes	(7,827)	-
Adjustments to tax charge in respect of previous periods	(9,629)	5,183
Other	(19)	-
Total tax charge	81,488	171,248

continued...

John King Chains Limited (Registered number: 02232268)

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

10. DIVIDENDS

	2017	2016
	£	£
Ordinary shares of £1 each		
Interims	135,000	237,000
Ordinary B shares of £1 each		
Interims	27,400	15,000
Ordinary A shares of £1 each		
Interims	13,700	7,500
	176,100	259,500

Paid after the year end (not recognised as a liability)		
Equity dividends on Ordinary shares of £1 each	65,500	94,500
Equity dividends on Ordinary A shares of £1 each	12,500	13,700
Equity dividends on Ordinary B shares of £1 each	10,000	27,400

11. INTANGIBLE FIXED ASSETS

	Goodwill
	£
COST	
At 1 April 2016 and 31 March 2017	235,000
AMORTISATION	
At 1 April 2016	144,917
Amortisation for year	23,499
At 31 March 2017	168,416
NET BOOK VALUE	
At 31 March 2017	66,584
At 31 March 2016	90,083

continued...

12. **TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1 April 2016	2,089,679	1,138,355	373,195	21,439	3,622,668
Additions	-	110,087	25,558	-	135,645
Disposals	(189,679)	-	(54,623)	-	(244,302)
At 31 March 2017	1,900,000	1,248,442	344,130	21,439	3,514,011
DEPRECIATION					
At 1 April 2016	79,677	320,020	322,019	2,555	724,271
Charge for year	9,950	136,116	14,081	5,110	165,257
Eliminated on disposal	(8,813)	-	(18,207)	-	(27,020)
At 31 March 2017	80,814	456,136	317,893	7,665	862,508
NET BOOK VALUE					
At 31 March 2017	1,819,186	792,306	26,237	13,774	2,651,503
At 31 March 2016	2,010,002	818,335	51,176	18,884	2,898,397

In accordance with paragraph 35.10(d) of FRS 102 the company has elected to use a previous GAAP revaluation at the date of transition as deemed cost for freehold land and buildings. These assets are being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

The land and buildings were revalued on transition by a professional valuer, Sanderson Weatherall, Chartered Surveyors, with recent experience in the location and category of property valued. The transition date value was based on open market value.

Cost or valuation at 31 March 2017 is represented by:

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2007	116,148	-	-	-	116,148
Valuation in 2014	11,438	-	-	-	11,438
Cost	1,772,414	1,248,442	344,130	21,439	3,386,425
	1,900,000	1,248,442	344,130	21,439	3,514,011

If the freehold property had not been revalued it would have been included at the following historical cost:

	2017 £	2016 £
Cost	1,772,414	1,892,414
Aggregate depreciation	170,669	173,218
Value of land in freehold land and buildings	375,000	375,000

continued...

12. **TANGIBLE FIXED ASSETS - continued**

The net book value of tangible fixed assets includes £672,630 (2016 - £646,343) in respect of assets held under hire purchase contracts.

13. **FIXED ASSET INVESTMENTS**

	Unlisted investments £
COST	
At 1 April 2016 and 31 March 2017	1
NET BOOK VALUE	
At 31 March 2017	1
At 31 March 2016	1

14. **STOCKS**

	2017 £	2016 £
Raw materials, finished goods and consumables	1,951,303	1,735,018
Work-in-progress	16,308	7,905
	1,967,611	1,742,923

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Trade debtors	1,629,068	1,688,502
Other debtors	211,546	353,250
Directors' current accounts	797	-
Prepayments and accrued income	16,061	13,844
	1,857,472	2,055,596

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Bank loans and overdrafts (see note 18)	89,612	87,499
Hire purchase contracts (see note 19)	161,959	143,962
Trade creditors	1,609,845	1,160,512
Corporation tax	285,245	524,492
Social security and other taxes	34,511	31,284
Other creditors	1,214,679	1,065,554
Directors' current accounts	2,108	39,565
Accruals and deferred income	275,286	219,768
	3,673,245	3,272,636

continued...

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£	£
Bank loans (see note 18)	742,847	832,447
Hire purchase contracts (see note 19)	324,339	399,505
	1,067,186	1,231,952

The bank loans are repayable by October 2028 and February 2021 and interest is charged on these loans at 2.97% and 2.5% respectively.

18. LOANS

An analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within one year or on demand:		
Bank loans	89,612	87,499
Amounts falling due between one and two years:		
Bank loans - 1-2 years	92,105	89,600
Amounts falling due between two and five years:		
Bank loans - 2-5 years	237,340	273,411
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more than 5 years	413,402	469,436

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2017	2016
	£	£
Net obligations repayable:		
Within one year	161,959	143,962
Between one and five years	324,339	399,505
	486,298	543,467

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	41,454	48,587
Between one and five years	14,296	55,750
	55,750	104,337

continued...

20. SECURED DEBTS

The following secured debts are included within creditors:

	2017	2016
	£	£
Bank loans	832,459	919,946
Hire purchase contracts	486,298	543,467
Other creditors	1,190,134	1,003,276
	2,508,891	2,466,689

Bank facilities are secured by first legal charges over the freehold and leasehold properties at Unit 1, Lancaster Enterprise Park, Sherburn in Elmet, a debenture incorporating fixed and floating charges over all present and future assets of the company and a charge over contract monies.

Other creditors include amounts of £1,080,737 (2016 - £916,847) which have been secured against certain book debts and £109,397 (2016 - £86,429) against the assets to which they relate.

The bank has provided a guarantee of £80,000 (2016 - £80,000) in respect to HM Revenue & Customs and a guarantee of $15,640 (2016 - $9,466) in respect of Egyptian Sugar and Integrated.

21. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Deferred tax	153,575	161,288
Other provisions	30,000	40,000
	183,575	201,288

	Deferred tax	Government grants
	£	£
Balance at 1 April 2016	161,288	40,000
Profit and loss movement	(7,713)	(10,000)
Balance at 31 March 2017	153,575	30,000

Deferred tax comprises £159,883 (2016 - £169,884) due in respect of accelerated capital allowances net of £6,308 (2016 - £8,596) in respect of short term timing differences.

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£	£
1,000	Ordinary	£1	1,000	1,000
20	Ordinary B	£1	20	20
10	Ordinary A	£1	10	10
			1,030	1,030

continued...

22. CALLED UP SHARE CAPITAL - continued

Each Ordinary and Ordinary B share has full and equal voting rights to dividends and on a return of capital, or winding up or otherwise.

Each Ordinary A share has no voting rights and holders are entitled to a repayment of the nominal value of their shares but shall confer no further or other right of participation in the assets of the company.

23. RESERVES

The retained earnings represent cumulative profits or losses net of dividends and other adjustments.

The revaluation reserve represents the effect of the previous GAAP revaluation of freehold land and buildings on transition to FRS 102. The excess depreciation arising on the assets carried at fair value is offset annually against this reserve.

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

24. CONTINGENT LIABILITIES

The company has provided a guarantee of £100,000 (2016 - £100,000) in respect of John King Chains (South Africa) (PTY) Limited.

25. CAPITAL COMMITMENTS

	2017	2016
	£	£
Contracted but not provided for in the financial statements	-	99,078

26. RELATED PARTY DISCLOSURES

During the year, total dividends of £129,125 (2016 - £210,135) were paid to the directors.

Dividends paid to other related parties for the year to 31 March 2017 totalled £19,775 (2016 - £34,365).

During the year the company sold a freehold property to a director at its market value of £220,000. In addition, some fixtures and fittings were also sold to a director at their market value of £34,000.

During the year advances and credits with directors existed, the net balance due to / from directors as at 31 March 2016 and 2017 are disclosed in notes 15 and 16.

During the year the company made sales to a company under control of a director of John King Chains Limited of £144,823 (2016 - £106,861). At 31 March 2017 that entity owed the company £175,721 (2016 - £127,920).

During the year the company made sales to another company under control of a director of John King Chains Limited of £39,332 (2016 - £81,229) and purchases of £9,396 (2016 - £10,116). At 31 March 2017 that entity owed the company £44,126 (2016 - £4,335).

During the year the company also made sales to another company under control of a director of John King Chains Limited of £16,787 (2016 - £Nil). At 31 March 2017 that entity owed the company £16,747 (2016 - £Nil).

The company also made sales of £31,263 (2016 - £33,243) to another company in which a director of John King Chains Limited had a controlling interest. No purchases were made from this entity during the year (2016 - £3,861) and at 31 March 2017 £105,752 (2016 - £141,242), was due to John King Chains Limited. In addition to these trading transactions and balances a loan of £150,000 (2016 - £200,000) was made in a prior year to that entity and was due to John King Chains Limited at 31 March 2017.

During the prior year the company advanced a loan to the son of a director of £8,264. At 31 March 2017 the individual owed the company £nil (2016 - £8,264).

The company received a loan from a related employment benefit scheme and was charged interest at 3% above base rate of £nil (2016 - £3,675). At 31 March 2017 John King Chains Limited owed this entity £nil (2016 - £38,641).

Key management personnel compensation
The total remuneration for key management personnel for the year totalled £266,170 (2016 - £263,027).

27. POST BALANCE SHEET EVENTS

On 5 May 2017 400 ordinary shares of £1 each were repurchased for £1,243,289.

28. ULTIMATE CONTROLLING PARTY

The directors are of the opinion that the company is now controlled by Mr D W Wadsworth and his family.

continued...

29. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit before taxation	470,270	818,979
Depreciation charges	165,257	196,018
(Profit)/loss on disposal of fixed assets	(36,719)	481
Amortisation of government grants	(10,000)	(10,000)
Amortisation charges	23,499	23,500
Finance costs	68,603	76,246
Finance income	(949)	-
	679,961	1,105,224
Increase in stocks	(224,688)	(410,033)
Decrease/(increase) in trade and other debtors	198,921	(169,577)
Increase in trade and other creditors	657,203	116,431
Cash generated from operations	1,311,397	642,045

30. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2017

	31.3.17	1.4.16
	£	£
Cash and cash equivalents	1,246,158	571,517

Year ended 31 March 2016

	31.3.16	1.4.15
	£	£
Cash and cash equivalents	571,517	668,966

31. MAJOR NON-CASH TRANSACTIONS

During the year the group entered into finance arrangements in respect of assets with a total value at the inception of the leases of £99,078 (2016 - £nil).