

Registered number: 01728009

MILLBROOK (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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MILLBROOK (UK) LIMITED

COMPANY INFORMATION

Directors	M Croll P Croll N Mecklenburgh (resigned 29 August 2019) A Longland R Thurston
Company secretary	P Croll
Registered number	01728009
Registered office	Nutsey Lane Calmore Industrial Estate Totton Southampton Hampshire SO40 3XJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 5 Benham Road Southampton Science Park Chilworth Southampton SO16 7QJ
Bankers	Lloyds Bank City Office Branch Bailey Drive Gillingham Business Park Kent ME8 0LS

MILLBROOK (UK) LIMITED

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MILLBROOK (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

Introduction

The directors present the strategic report and financial statements for the year ended 30 June 2019.

Millbrook (UK) Ltd is a manufacturer of quality handmade beds and mattresses, holds furniture, flooring supply and fit contracts and paints, maintains vehicles and equipment.

Business review

The directors are pleased with the results for the year. The Company recorded a profit before tax of £7,377,000 (2018: £1,075,000). During the year dividends totalling £3,410,000 (2018: £Nil) were paid.

Principal risks and uncertainties

The Company is exposed to the risk of a consumer spending slow down. The company reviews market conditions and trends in consumer spending on a regular basis and adjusts its plans accordingly.

The Company is exposed to the risk of not meeting performance criteria. The company monitors performance closely to mitigate this risk.

The Company is also exposed to interest rate, bad debt and foreign exchange risks.

Interest rates are not hedged as the Company holds very little external debt and interest rates are expected to remain low.

Bad debts are not insured. The risk is minimised by maintain a robust credit policy including credit checks on potential new customers and regular review of limits for existing customers.

Financial key performance indicators

The Company manufactures a quality handmade product, and lead times and being able to respond to customers quickly is seen as instrumental to the success of the business. The average lead time over the year, for retail beds, from receipt of order until delivery was 2.5 weeks (2018: 2.5 weeks).

Other KPIs are specific to individual contract milestones, and these were met 100% during the year.

The number of days taken for the independent sector customers to pay an invoice is a key part of the credit risk management policy. The average payment days during the year were 36 (2018: 35).

Financial risk management

Prices are driven via market forces and competition. Be ensuring production and delivery is as efficient as possible the Company ensures it can offer its products and services at competitive prices.

The Company does not insure against bad debts but does maintain a robust credit control policy.

Future performance

The Company retains all its existing contracts into next year and although the market is highly competitive, the prospects for the Company remain good.

MILLBROOK (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Post balance sheet events

On the 22nd July 2019 a group reconstruction occurred under a capital reduction and demerger arrangement and MHCHC Ltd became the ultimate parent company.

Subsequently, the name of MHCHC Ltd was changed to Millbrook Industries Ltd (Company registration 11954620).

This report was approved by the board on

12 March 2020

and signed on its behalf.



P Croll
Director

MILLBROOK (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Results and dividends

The profit for the year, after taxation, amounted to £5,752,000 (2018 - £565,000).

A dividend of £3,410,000 was paid in the year (2018: £Nil).

Directors

The directors who served during the year were:

M Croll
P Croll
N Mecklenburgh (resigned 29 August 2019)
A Longland
R Thurston

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MILLBROOK (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Financial Risk Management

Prices are driven via market forces and competition. By ensuring production is as efficient as possible the Company is able to ensure it can offer its products at competitive prices.

The Company does not insure against bad debts but does maintain a robust credit control policy.

The Company obtains its working capital liquidity via an Invoice Finance facility.

Future Performance

Since the year end, the Company has secured a number of new customers in the independent bed retail sector and is in positive discussions with large group customers.

A major re-branding exercise, along with new product launches and strategic marketing partnerships, commenced in September 2017. This will further strengthen the Company's commitment to the bed market and increase its market share.

Since the year end, the Company has continued to invest in plant, people and implemented process changes to improve the efficiencies of its operations and allow for the planned growth in sales.

Post balance sheet events

On 23rd July 2019 a group reconstruction occurred under a capital reduction and demerger arrangement and MHCHC Limited became the ultimate parent company.

Subsequently, the name of MHCHC Limited was changed to Millbrook Industries Limited (Company Registration 11954620).

Disclosure of information to auditor

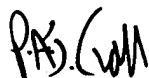
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 March 2020 and signed on its behalf.



P Croll
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLBROOK (UK) LIMITED

Opinion

We have audited the financial statements of Millbrook (UK) Limited (the 'Company') for the year ended 30 June 2019, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of changes in equity and notes to the financial statement, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 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. 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

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with a course of action such as Brexit.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLBROOK (UK) LIMITED (CONTINUED)

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditor's report is not a guarantee that the Company will continue in operation.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLBROOK (UK) LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLBROOK (UK) LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

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: 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.



Amanda James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Date: 12 March 2020

MILLBROOK (UK) LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 £000	2018 £000
Turnover	4	27,002	19,108
Cost of sales		(11,887)	(11,713)
Gross profit		15,115	7,395
Distribution costs		(2,849)	(2,435)
Administrative expenses		(4,937)	(3,955)
Other operating income	5	48	70
Operating profit	6	7,377	1,075
Tax on profit	10	(1,625)	(510)
Profit after tax		5,752	565
Retained earnings at the beginning of the year		2,383	1,818
Profit for the year		5,752	565
Dividends declared and paid		(3,410)	-
Retained earnings at the end of the year		4,725	2,383

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of income and retained earnings.

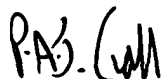
The notes on pages 12 to 30 form part of these financial statements.

MILLBROOK (UK) LIMITED
REGISTERED NUMBER:01728009

BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	2,464	1,801
Investments	14	23	-
		<u>2,487</u>	<u>1,801</u>
Current assets			
Stocks	15	1,291	1,074
Debtors: amounts falling due within one year	16	6,216	4,286
Cash at bank and in hand	17	2,723	539
		<u>10,230</u>	<u>5,899</u>
Creditors: amounts falling due within one year	18	(6,837)	(4,121)
Net current assets		<u>3,393</u>	<u>1,778</u>
Total assets less current liabilities		<u>5,880</u>	<u>3,579</u>
Creditors: amounts falling due after more than one year	19	(43)	(79)
Provisions for liabilities			
Other provisions	21	(53)	(58)
		<u>(53)</u>	<u>(58)</u>
Net assets		<u><u>5,784</u></u>	<u><u>3,442</u></u>
Capital and reserves			
Called up share capital	22	1,059	1,059
Profit and loss account	23	4,725	2,383
		<u>5,784</u>	<u>3,442</u>

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

12 March 2020


P Croll
Director

The notes on pages 12 to 30 form part of these financial statements.

MILLBROOK (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2018	1,059	2,383	3,442
Comprehensive income for the year			
Profit for the year	-	5,752	5,752
Dividends: Equity capital	-	(3,410)	(3,410)
At 30 June 2019	1,059	4,725	5,784

The notes on pages 12 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2017	1,059	1,818	2,877
Comprehensive income for the year			
Profit for the year	-	565	565
At 30 June 2018	1,059	2,383	3,442

The notes on pages 12 to 30 form part of these financial statements.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General information

Millbrook (UK) Limited is a private company limited by shares & incorporated in England and Wales. Its registered head office is located at Nutsey Lane, Calmore Industrial Estate, Southampton, Hampshire, SO40 3XJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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 judgement 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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of MHCHC Limited (previously Millbrook Industries Limited) as at 30 June 2019 and these financial statements may be obtained from Companies House.

2.3 Going concern

The directors have considered all relevant information available to them regarding the ability of the Company to continue as a going concern and have concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.4 Turnover

Turnover is the revenue arising from the sale of goods and services for handmade pocket sprung beds and mattresses and the painting and maintenance of vehicles. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from the sale of goods is recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer, which is generally considered to be when the customer has taken undisputed delivery of the goods. Revenue from the sale of services is recognised when services have been provided and the right to consideration has been earned.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Software	- 33 % straight line
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2.6 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.

The estimated useful lives range as follows:

Plant and machinery	- 10% - 20%
Fixtures and fittings	- 10% - 20%

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.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.8 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 profit or loss.

2.9 Debtors

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

2.10 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.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.11 Financial instruments

The Company only enters into basic financial instrument 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 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 the 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 cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

2.12 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.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.13 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 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 Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'administrative expenses'.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 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.

2.16 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of income and retained earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.17 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 Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

2.19 Warranty provision

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 Balance sheet 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 Balance sheet.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year 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 balance sheet 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 Balance sheet 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 balance sheet date.

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

In preparation of the financial statements the directors have made a number of significant judgements and estimates:

Stock – has been valued at the lower of cost and net realisable value. Net realisable value being the value the stock can be sold for. A provision is also made for slow moving or obsolete stock.

4. Turnover

The whole of the turnover is attributable to the principal activities of the business.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. Other operating income

	2019 £000	2018 £000
Discounts receivable	48	70

6. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	383	311
Profit/loss on sale of tangible assets	-	4
Exchange differences	(24)	(22)
Other operating lease rentals (rent payable)	125	200

7. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11	8
Fees payable to the Company's auditor and its associates for taxation compliance services	3	3
Fees payable to the Company's auditor and its associates for tax advisory	6	15
Fees payable to the Company's auditor and its associates for all other purposes	1	4

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8. Employees

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

	2019 £000	2018 £000
Wages and salaries	6,003	5,920
Social security costs	197	203
Cost of defined contribution scheme	84	61
	<u>6,284</u>	<u>6,184</u>

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

	2019 No.	2018 No.
Number of staff	<u>129</u>	<u>148</u>

9. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	148	152
Company contributions to defined contribution pension schemes	8	8
	<u>156</u>	<u>160</u>

The number of directors to whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018: 2).

MILLBROOK (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

10. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	1,384	510
Adjustments in respect of prior periods	11	-
	<u>1,395</u>	<u>510</u>
Double taxation relief	(385)	(474)
After double taxation relief	<u>1,010</u>	<u>36</u>
Foreign tax on income for the year	387	474
Foreign tax in respect of prior periods	232	-
	<u>619</u>	<u>474</u>
Deferred tax		
Origination and reversal of timing differences	(4)	-
Total deferred tax	<u>(4)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u><u>1,625</u></u>	<u><u>510</u></u>

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	7,377	1,075
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,402	204
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4	6
Adjustments to tax charge in respect of prior periods	243	36
Fixed asset differences	1	2
Foreign tax credits	2	145
Adjust closing deferred tax to average rate of 19.00%	-	3
Deferred tax not recognised	(24)	(8)
Adjust opening deferred tax to average rate of 19.00%	(3)	(4)
Group relief surrendered / (claimed)	-	126
Total tax charge for the year	1,625	510

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

11. Dividends

	2019 £000	2018 £000
Dividends paid	3,410	-

12. Intangible assets

	Software £000
Cost	
At 1 July 2018	52
At 30 June 2019	52
Amortisation	
At 1 July 2018	52
At 30 June 2019	52
Net book value	
At 30 June 2019	-
At 30 June 2018	-

Amortisation of intangible fixed assets is included in administrative expenses.

MILLBROOK (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

13. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 July 2018	4,228	706	4,934
Additions	1,020	26	1,046
At 30 June 2019	<u>5,248</u>	<u>732</u>	<u>5,980</u>
Depreciation			
At 1 July 2018	2,502	631	3,133
Charge for the year on owned assets	343	40	383
At 30 June 2019	<u>2,845</u>	<u>671</u>	<u>3,516</u>
Net book value			
At 30 June 2019	<u>2,403</u>	<u>61</u>	<u>2,464</u>
At 30 June 2018	<u>1,726</u>	<u>75</u>	<u>1,801</u>

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
Additions	23
At 30 June 2019	23
Net book value	
At 30 June 2019	23
At 30 June 2018	-

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
The Handmade Bed Company Limited	Nutsey Lane, Calmore Industrial Estate Totton, Southampton, Hampshire, SO40 3XJ	Ordinary	100%
Millbrook GmbH	c/o Dr. Sabel & Partner mbB, Tulpenhofstraße 18, 63067 Offenbach am Main	Ordinary	100%

The company has taken the exemption available under section 400 of the Companies Act 2006 to not prepare consolidated Financial statements since the entities results are included in the consolidated financial statements of MHCHC Limited (previously Millbrook Industries Limited) as at 30 June 2019 and these financial statements may be obtained from Companies House.

MILLBROOK (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15. Stocks

	2019	2018
	£000	£000
Raw materials and consumables	1,101	841
Work in progress (goods to be sold)	61	116
Finished goods and goods for resale	129	117
	<u>1,291</u>	<u>1,074</u>

An impairment gain/loss of £Nil (2018: loss of £5,000) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

16. Debtors

	2019	2018
	£000	£000
Trade debtors	5,160	2,815
Amounts owed by group undertakings	6	1,025
Other debtors	455	122
Prepayments and accrued income	591	324
Deferred taxation	4	-
	<u>6,216</u>	<u>4,286</u>

An impairment gain/loss of £Nil (2018: loss of £4,000) was recognised against trade debtors.

17. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	2,723	539
Less: bank overdrafts	(904)	(692)
	<u>1,819</u>	<u>(153)</u>

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

18. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts	904	692
Trade creditors	1,308	1,215
Amounts owed to group undertakings	712	-
Corporation tax	885	167
Other taxation and social security	187	433
Obligations under finance lease and hire purchase contracts	36	35
Other creditors	211	429
Accruals and deferred income	2,594	1,150
	<u>6,837</u>	<u>4,121</u>

The bank overdraft is secured by a floating charge over the Company's assets, and by an unlimited guarantee by the Company's parent and fellow subsidiary undertakings.

Certain trade debtors were subject to an invoice discounting agreement during the year. Included within overdrafts is £641,000 (2018: £357,000) in respect of this agreement at the reporting date. The creditor is secured by a charge over the debts to which it relates.

Obligations under finance lease and hire purchase contracts are secured against the asset to which they relate

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

	2019 £000	2018 £000
Net obligations under finance leases and hire purchase contracts	<u>43</u>	<u>79</u>

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £000	2018 £000
Within one year	36	35
Between 1-2 years	36	36
Between 2-5 years	7	43
	<u>79</u>	<u>114</u>

21. Provisions

The warranty provision relates to a long-term accrual providing for exchange credits based on actual credits raised during the year and the length of time from despatch to claim raised.

	Warranty £000
At 1 July 2018	58
Charged to profit or loss	(5)
At 30 June 2019	<u>53</u>

22. Share capital

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid		
1,059,379 Ordinary shares of £1 each	<u>1,059</u>	<u>1,059</u>

All the ordinary shares carry equal participation in assets, rights to dividends and voting power.

23. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

24. Retirement Benefits

The Company operates a defined contribution scheme for the benefit of its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

	2019 £000	2018 £000
Contributions payable by the Company for the year	84	61
Contributions payable to the fund at the year end and included in creditors	17	13

25. Deferred taxation

	2019 £000
Charged to profit or loss	4
At end of year	4

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Fixed asset timing differences	(7)	-
Short term timing differences	11	-
	4	-

26. Commitments under operating leases

The Company had no commitments under the non-cancellable operating leases as at the balance sheet date.

27. Contingent liabilities

The Company has provided an unlimited guarantee in respect of the bank borrowings of its parent and fellow subsidiary undertakings which at 30 June 2019 amounted to £6,916,000 (2018: £9,471,000).

28. Related party transactions

As a wholly owned subsidiary of Millbrook Industries Limited, the Company is exempt under FRS 102 from disclosing transactions with other members of the group headed by that Company whose consolidated financial statements are publicly available at Companies House.

MILLBROOK (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

29. Controlling party and post balance sheet events

On 23rd July 2019 a group reconstruction occurred under a capital reduction and demerger arrangement and MHCHC Limited became the ultimate parent company.

Subsequently, the name of MHCHC Limited was changed to Millbrook Industries Limited (Company Registration 11954620).

The directors consider that the ultimate parent undertaking of this company throughout the year-ended 30 June 2019 and at 30 June 2019 was its immediate parent company MHCHC Limited (formerly Millbrook Industries Limited).

The largest and smallest group of undertakings for which group accounts have been drawn up, including this Company, is that headed by MHCHC Limited (formerly Millbrook Industries Limited) which is registered in England and Wales. A copy of the consolidated accounts can be obtained from Companies House.

C Croll is this Company's ultimate controlling party by virtue of a majority shareholding in MHCHC Limited (formally Millbrook Industries Limited) during the year and Millbrook Industries Limited (formally MHCHC Limited) subsequent to the year end.