Company Registration No. 00207104 (England and Wales)

RENOLIT Cramlington Limited

Annual Report And Financial Statements

For The Year Ended 31 December 2018

RENOLIT CRAMLINGTON LIMITED

COMPANY INFORMATION

Directors	Mr D S Hall Mr M T Kundel Mr S M Wilson Mr P P M Winant
Secretary	Mr S M Wilson
Company number	00207104
Registered office	Station Road Cramlington Northumberland NE23 8AQ
Auditor	Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ

RENOLIT CRAMLINGTON LIMITED

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RENOLIT CRAMLINGTON LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

2018 was a year of significant transition for the business with considerable change in both our IT landscape and manufacturing capacity. The introduction of SAP as our new ERP platform and COAGO as our new MES software was a success and a vital part of setting the business up for years to come. This major change did lead to some difficulties during the first quarter with customers accustomed to good service levels and J.I.T. deliveries. The first half of the year also delivered the planned capacity expansion with Emboss 4 starting 3 shift production in March and Calender 4 moving onto 7 day working in April. From May onwards the business progressively returned to normal.

Raw material price rises continued to put pressure on margins in both domestic and export markets and we had no option but to increase our selling prices to partially offset these. Market trends also resulted in a change of product mix which has negatively impacted margins.

The changes started in 2017 and implemented in 2018 were the key enablers for the growth envisaged in our medium term plan. This saw a further increase in the numbers employed in the business, rising to 323 from 302 in December 2017. Whilst it was a conscious decision to proceed with our medium term growth plan, despite the extended period of BREXIT uncertainty, this was not without risk. A year on, with no clear view of how trade with the EU will be affected, the risk has increased. We know that if tariffs and trade restrictions are applied we will be faced with a need to reorganise the business. This will also set us in a new and different direction to our existing medium term plan. However we remain hopeful that in the end the process of leaving the EU finds a smooth path and the risks of an uncontrolled BREXIT reduce so we can carry on with our growth plans. We also remain encouraged by the opportunities available in our markets which should help to fully utilise the additional capacity created in 2018.

Principal risks and uncertainties

The company is subject to the usual competitive risks in respect of customer and supplier behaviour and the resultant impact on sales pricing and volumes, as well as the availability and cost of raw materials. These risks are continually reviewed by local and group management and action taken as required. The plans to cope with the potential chaos following a no deal BREXIT are a good example of this. The coordination and support from the RENOLIT group has helped to increase security of supply throughout a difficult year.

The risk of events which could have a significant impact on our ability to operate and service our customers are assessed systematically throughout the year. Risk reduction actions as well as business continuity options are discussed and actioned with the management team. The risks are further reduced by the additional alternative machine routes available at Cramlington in the event of a major failure and the back up production facilities at other RENOLIT locations within Europe and beyond.

The largest uncertainty and risk remains related to BREXIT, the threat of a no deal and uncontrolled exit from the EU on the 29th March cannot be ruled out. This is forcing us to plan for the worst case and a chaotic period by significantly increasing our stocks at every stage of the process, both in the UK and various EU locations. With a stock build of this nature there is an increased risk of obsolescence. The potential impact on the business, in particular if restrictions are placed on free trade or import tariffs imposed, has been reviewed with scenarios developed for different options for the business.

The new core IT systems (SAP and COAGO) are now stable and their introduction has brought the Cramlington site into line with RENOLIT Group standards. This in turn brings greater security from an extended support infrastructure.

Key performance indicators
Total sales grew by £1.5m (2.1%) to £71.1m with major factors being a growth in business to North America for the prefabricated homes sector whilst sales of window foils into the Turkish market fell back as a consequence of local political and economic factors. Pressure on raw material prices, an unfavourable product mix and investment in future capacity saw the gross profit margin fall to 23.6% (2017 24.8%), whilst higher distribution costs were driven by increased volumes as well as an increase in special transport. Operating profit consequently fell to £5.8m (2017: £6.2m) representing 8.1% of sales (2017: 8.9%). ROCE also reduced to 25.3% (2016: 28.8%).

Other information and explanations
With the exception of foreign exchange, the company does not actively use financial instruments as part of its financial risk management. The company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through appropriate credit control procedures. The nature of these financial instruments means that the company is not subject to a price risk or liquidity risk other than as set out below. The company undertakes significant sales and purchases in foreign currencies, especially the Euro and US$, which exposes it to foreign exchange rate risk. This risk is managed through the use of Euro and US$ current accounts although company sales in Euros are consistently in excess of purchases. Where appropriate, forward exchange contracts are also considered with a view to further managing exchange risk.

As environmental awareness and requirements increase over time, it is also pleasing to report that we continue to be certified to the ISO14001 and ISO50001 standards and along with the OHSAS 18001 and ISO 9001 ensure we have appropriate systems in place to control environmental aspects, health and safety and quality to reduce impacts and ensure legal compliance.

On behalf of the board

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Mr D S Hall
Director
4.2.19

RENOLIT CRAMLINGTON LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities
The main activity of the company during the year was the manufacture and sale of flexible decorative surface materials. The main product area continues to be decorative laminates made primarily from PVC films printed with woodgrain designs. End uses for these products include kitchen and bedroom cabinet doors, window frames, loudspeakers and mobile home and caravan interiors. The company also distributes PVC waterproofing membranes, principally for the single ply roofing market.

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

Mr D S Hall
Mr M T Kundel
Mr S M Wilson
Mr P P M Winant

Results and dividends
The results for the year are set out on page 9.

Dividends totalling £2,500,000 (2017: £2,500,000) were paid to the immediate parent company, RENOLIT (U.K.) Limited.

Supplier payment policy
The company's current policy concerning the payment of trade payables is to:
-settle the terms of payment with suppliers when agreeing the terms of each transaction;
-ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
-pay in accordance with the company's contractual and other legal obligations.
On average, trade payables at the year end represented 34 (2017: 23) days' purchases.

Research and development
The company continues to investigate new production methods and materials to both improve the quality and performance of existing products and provide opportunities for the introduction of new products.

Disabled persons
The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement
The company's policy is to consult and discuss with employees, through unions and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through presentations and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Future developments
After a transitional year that involved the completion of major internal projects in our IT landscape as well as production capacity, we now await the outcome of the ongoing BREXIT negotiations. In the short term the uncertainty which this has caused is already leading to increased costs as we take precautionary measures to protect the business against the disruption which a hard BREXIT could cause. In particular we are currently building stock in order to mitigate some of the logistical risks. Over the medium to long term imposition of tariffs or other restrictions on the company's ability to trade with the EU or other Customs Union linked countries, such as Turkey, will inevitably lead to a need to review the company's strategy and future direction. Any re-organisation that this entails will be completed with the full support of the RENOLIT group and consider the ongoing needs of all Business Units.

Modern Slavery Act 2015
This statement sets out the steps taken to mitigate the risk of slavery and human trafficking occurring within the company or our supply chain. Slavery and human trafficking are abuses of a person's freedom and rights. The company as well as the RENOLIT Group are totally opposed to such abuses in our operations and in our supply chain.

The company is located in Northumberland and produces PVC veneers, predominantly, for the windows and furniture markets. Over 300 people are employed, mainly in manufacturing operations with supporting sales, distribution and administrative activities. The company purchases the majority of its raw materials and services from leading international companies or from smaller companies local to the Cramlington site.

The company is committed to acting with integrity in all of our business dealings and to fully comply with the laws of the countries in which we do business. Many of our existing policies contain sections which are relevant in ensuring that there is no slavery or human trafficking activity in any part of our business or supply chain.

Relevant policies include:

- Code of Conduct
- Bullying and Harassment Policy
- Employee Wellbeing Policy
- Whistle Blowing Policy
- Contractor Management Policy
- Purchasing policy

All existing employees, and new employees as part of their induction, receive Code of Conduct training. A key aspect of this training is the zero tolerance approach that the company and the RENOLIT Group has to any form of forced or child labour in its own companies or in those of its business partners.

As part of its continuous improvement ethos, the company has taken the following steps to diminish the risk of human trafficking and slavery in its supply chain:

- Ongoing implementation of a risk assessment programme to identify any potential risks within the supply chain
- Revision of all relevant policies

The company does not have any key performance indicators specifically related to slavery or human trafficking. Any instance would be a breach of existing company policies or of national legislation. We do however have internal performance measures linked to business practices that relate to the mitigation of slavery or human trafficking risk.

For example we monitor and review:

- The number of employees who have completed Code of Conduct compliance training
- Whistle blowing incidents
- Grievances raised
- Supplier ratings
- Contractor assessments.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Auditor
The auditor, Garbutt & Elliott Audit Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

On behalf of the board

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Mr D S Hall
Director
Date: 4.2.19

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENOLIT CRAMLINGTON LIMITED

Opinion

We have audited the financial statements of RENOLIT Cramlington Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The 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 our audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Garbutt & Elliott Audit Ltd.

Alan Sidebottom (Senior Statutory Auditor)
for and on behalf of Garbutt & Elliott Audit Limited

7.2.19.

Chartered Accountants
Statutory Auditor

Triune Court
Monks Cross Drive
York
YO32 9GZ

RENOLIT CRAMLINGTON LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £' 000	2017 £' 000
Revenue	3	71,059	69,535
Cost of sales		(54,297)	(52,324)
Gross profit		16,762	17,211
Distribution costs		(1,372)	(1,193)
Administrative expenses		(9,636)	(9,876)
Other operating income		15	44
Operating profit	4	5,769	6,186
Investment income	7	4	1
Finance costs	8	1	4
Profit before taxation		5,774	6,191
Tax on profit	9	(1,062)	(1,140)
Profit and total comprehensive income for the financial year		4,712	5,051

The income statement has been prepared on the basis that all operations are continuing operations.

RENOLIT CRAMLINGTON LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 £' 000	2018 £' 000	2017 £' 000	2017 £' 000
Non-current assets					
Intangible assets	11		1,077		997
Property, plant and equipment	12		8,956		10,453
			10,033		11,450
Current assets					
Inventories	14	10,888		9,763	
Trade and other receivables	15	11,807		10,548	
Cash at bank and in hand		2,915		2,014	
		25,610		22,325	
Current liabilities	16	(8,852)		(9,294)	
Net current assets			16,758		13,031
Total assets less current liabilities			26,791		24,481
Non-current liabilities	17		(143)		(71)
Provisions for liabilities	19		(1,028)		(1,002)
Net assets			25,620		23,408
Equity					
Called up share capital	20		10,000		10,000
Share premium account			514		514
Retained earnings			15,106		12,894
Total equity			25,620		23,408

The financial statements were approved by the board of directors and authorised for issue on 4/2/19 and are signed on its behalf by:

Mr S M Wilson
Director

Company Registration No. 00207104

RENOLIT CRAMLINGTON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £' 000	Share premium account £' 000	Retained earnings £' 000	Total £' 000
Balance at 1 January 2017		10,000	514	10,343	20,857
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		-	-	5,051	5,051
Dividends	**10**	-	-	(2,500)	(2,500)
Balance at 31 December 2017		10,000	514	12,894	23,408
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	4,712	4,712
Dividends	**10**	-	-	(2,500)	(2,500)
Balance at 31 December 2018		10,000	514	15,106	25,620

1 Accounting policies

Company information
RENOLIT Cramlington Limited is a private company limited by shares incorporated in England and Wales. The registered office is Station Road, Cramlington, NE23 8AQ.

1.1 Accounting convention
These financial statements have been prepared in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

On the grounds that the company's results are consolidated into its ultimate parent, as noted below, the company has taken advantage of certain exemptions conferred by section 1.11 of FRS 102 as follows:

- Exemption from presenting a statement of cashflows as a primary note to the financial statements.

The company has also taken advantage of the exemptions conferred by section 33.1A of FRS 102 allowing it to not disclose transactions and balances within its group, on the grounds that those entities are related by virtue of having the same control as defined in 33.1A(b).

The immediate parent company is RENOLIT (U.K.) Ltd.

The ultimate parent company and controlling party is JM Holding GmbH & Co.KGaA; a company incorporated in Germany, which prepares group financial statements that can be obtained from JM Holding, Horchheimer Strasse 50, 67547 Worms, Germany.

1.2 Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue
Turnover represents revenue from sales of products, after deduction of Value Added Tax and is recognised on dispatch.

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

1.4 Research and development expenditure
Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 10 years straight line

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold buildings	40 years straight line
Plant and machinery	3 to 10 years straight line
Fixtures, fittings and equipment	3 to 10 years straight line

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

No depreciation is provided on land and assets under construction.

1.7 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

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

1 Accounting policies **(Continued)**

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

1.9 Cash and cash equivalents

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

1.10 Financial instruments

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

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

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

1 Accounting policies (Continued)

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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

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

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

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

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

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

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

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

1 Accounting policies **(Continued)**

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

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

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

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

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

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

1 Accounting policies **(Continued)**

1.17 Foreign exchange

Transactions denominated in foreign currency are translated at the rate of exchange ruling at the start of the month the transaction occurred. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Exchange differences arising on retranslation are included in the profit and loss account in the year in which they occur.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical estimates

Inventories

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete inventories. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Inventory overhead cost absorption

The company converts raw materials to finished goods. Inventory values include any costs such as labour and overheads attributable to generating finished goods, as management believe this is the most suitable costing method to take into account the matching concept of accounting.

Depreciation of tangible assets

Depreciation policies have been set according to management's experience and judgement of the useful lives of the assets in each category, something which is reviewed annually.

The company incurs expenditure on creating tangible fixed assets for use in the primary trade. The cost is determined by reference to the direct attributable costs which bring the fixed asset to working condition for its intended use, with costs being incurred over several months. Management believe it is possible to segregate these costs into identifiable projects, and as such no depreciation is charged on that project until it is bought into use. This expenditure is therefore capitalised as a fixed asset and depreciated in line with the relevant depreciation policy.

Warranty provision

Warranty provisions are calculated as a percentage of the average annual sales figures, based upon group wide historic warranty claims data, and included as an expense within sales.

3 Revenue

An analysis of the company's revenue is as follows:

	2018	2017
	£' 000	£' 000
Turnover		
Sale of goods	71,056	69,535

Revenue analysed by geographical market

	2018	2017
	£' 000	£' 000
UK and Channel Islands	37,926	37,665
Rest of Europe	25,979	26,726
Rest of the World	7,151	5,144
	71,056	69,535

4 Operating profit

	2018	2017
Operating profit for the year is stated after charging/(crediting):	£' 000	£' 000
Exchange (gains)/losses	(88)	126
Research and development costs	641	570
Depreciation of owned property, plant and equipment	2,891	2,599
Loss on disposal of property, plant and equipment	30	12
Amortisation of intangible assets	252	13
Cost of inventories recognised as an expense	38,845	39,998
Impairment of inventories recognised	1,079	43
Operating lease charges	115	107

Included in research and development costs above, is a £641,000 (2017 - £570,000) reallocation of wages, which is also included in note 6.

5 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£' 000	£' 000
For audit services		
Audit of the financial statements of the company	34	24
For other services		
Taxation compliance services	3	3
All other non-audit services	1	1
	4	4

6 Employees

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

	2018 Number	2017 Number
Production	248	223
Marketing, selling and distribution	49	50
Administration	23	24
	320	297

Their aggregate remuneration comprised:

	2018 £' 000	2017 £' 000
Wages and salaries	11,255	10,584
Social security costs	1,151	1,083
Pension costs	2,080	1,817
	14,486	13,484

7 Investment income

	2018 £' 000	2017 £' 000
Interest income		
Interest on bank deposits	4	1

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	4	1

8 Finance costs

	2018 £' 000	2017 £' 000
Other finance costs:		
Unwinding of discounts	(1)	(4)
	(1)	(4)

9 Taxation

	2018 £' 000	2017 £' 000
Current tax		
UK corporation tax on profits for the current period	1,396	1,154
Adjustments in respect of prior periods	(2)	(22)
Total current tax	1,394	1,132
Deferred tax		
Origination and reversal of timing differences	(332)	8
Total tax charge	1,062	1,140

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £' 000	2017 £' 000
Profit before taxation	5,774	6,191
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	1,097	1,192
Tax effect of expenses that are not deductible in determining taxable profit	-	10
Adjustments in respect of prior years	(2)	(22)
Other tax adjustments	(33)	(40)
Taxation charge for the year	1,062	1,140

10 Dividends

	2018 per share	2017 per share	2018 £' 000	2017 £' 000
Ordinary				
Interim paid	0.25	0.25	2,500	2,500

11 Intangible fixed assets

	Software
	£' 000
Cost	
At 1 January 2018	1,077
Additions	332
At 31 December 2018	1,409
Amortisation and impairment	
At 1 January 2018	80
Amortisation charged in the year	252
At 31 December 2018	332
Carrying amount	
At 31 December 2018	1,077
At 31 December 2017	997

12 Property, plant and equipment

	Freehold buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£' 000	£' 000	£' 000	£' 000
Cost				
At 1 January 2018	6,362	33,307	2,325	41,994
Additions	124	1,245	56	1,425
Disposals	-	(155)	-	(155)
At 31 December 2018	6,486	34,397	2,381	43,264
Depreciation and impairment				
At 1 January 2018	5,510	24,797	1,234	31,541
Depreciation charged in the year	212	2,473	206	2,891
Eliminated in respect of disposals	-	(124)	-	(124)
At 31 December 2018	5,722	27,146	1,440	34,308
Carrying amount				
At 31 December 2018	764	7,251	941	8,956
At 31 December 2017	852	8,510	1,091	10,453

The following land is not depreciated.

	2018	2017
	£' 000	£' 000
Freehold	154	154

13 Financial instruments

	2018 £' 000	2017 £' 000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	13,995	12,109
Carrying amount of financial liabilities		
Measured at amortised cost	7,447	8,100

14 Inventories

	2018 £' 000	2017 £' 000
Raw materials and consumables	2,670	2,314
Work in progress	2,691	1,616
Finished goods and goods for resale	5,527	5,833
	10,888	9,763

15 Trade and other receivables

Amounts falling due within one year:	2018 £' 000	2017 £' 000
Trade receivables	9,100	8,478
Amounts owed by group undertakings	1,721	1,471
Other receivables	259	146
Prepayments and accrued income	197	256
	11,277	10,351
Deferred tax asset (note 18)	530	197
	11,807	10,548

Trade receivables disclosed above are measured at amortised cost.

16 Current liabilities

	2018 £' 000	2017 £' 000
Trade payables	2,039	1,386
Amounts owed to group undertakings	4,683	6,015
Corporation tax	763	383
Other taxation and social security	785	882
Accruals and deferred income	582	628
	8,852	9,294

17 Non-current liabilities

	2018 £' 000	2017 £' 000
Other payables	143	71

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company:

Balances:	2018 £' 000	2017 £' 000
Accelerated capital allowances	-	(130)
Other timing differences	530	327
	530	197

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

19 Provisions for liabilities

	2018 £' 000	2017 £' 000
Jubilee provision	185	183
Warranty provision	843	819
	1,028	1,002

Movements on provisions:

	Jubilee provision £' 000	Warranty provision £' 000	Total £' 000
At 1 January 2017	183	819	1,002
Additional provisions in the year	2	24	26
At 31 December 2018	185	843	1,028

Further information on the above provisions can be found in accounting policy 1.13, and in note 2.

20 Share capital

	2018	2017
	£' 000	£' 000
Ordinary share capital		
Issued and fully paid		
10,000,000 Ordinary shares of £1 each	10,000	10,000

21 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£' 000	£' 000
Charge to profit or loss in respect of defined contribution schemes	2,080	1,817

The company operates the RENOLIT Group Personal Pension Scheme. Pension costs charged in respect of the scheme amounted to £1,845,000 (2017 - £1,608,000), with £308,000 (2017 - £281,000) accrued at the balance sheet date. The costs charged in the accounts as detailed above include death in service and life assurance payments of £235,000 (2017 - £209,000).

22 Operating lease commitments

Lessee

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

	2018	2017
	£' 000	£' 000
Within one year	76	94
Between two and five years	126	152
In over five years	-	7
	202	253

The operating leases are mostly for fork lift trucks from third parties. The leases are negotiated over terms of 3-5 years and rentals are fixed for 3-5 years. Other leases are generally renewed annually.

23 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2018	2017
	£' 000	£' 000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	246	145

24 Directors' remuneration

	2018 £' 000	2017 £' 000
Remuneration for qualifying services	253	252
Company pension contributions to defined contribution schemes	73	71
	326	323

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £' 000	2017 £' 000
Remuneration for qualifying services	132	128
Company pension contributions to defined contribution schemes	40	38
	172	166

25 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2018 £' 000	2017 £' 000
Aggregate compensation	326	323

No guarantees have been given or received.

Exemption from disclosing group transactions

The company has taken advantage of the disclosure exemptions of Section 33.1A of FRS 102 which permit it to not present details of its transactions with members of the group headed by JM Holding GmbH & Co. KGaA where relevant group companies are all wholly owned. Details of outstanding balances as at the year end are given in notes 15 and 16.

26 Controlling party

The company is a wholly owned subsidiary of RENOLIT SE, a company incorporated in Germany. The ultimate parent is JM Holding GmbH & Co. KGaA, a company also incorporated in Germany. JM Holding GmbH & Co. KGaA is the smallest and largest group into which these accounts are consolidated. Group financial statements can be obtained from from the registered office of JM Holding GmbH & Co. KGaA at Horchheimer Strasse 50, 67547 Worms, Germany.