

Company Registration No. 00374230 (England and Wales)

SLATER HARRISON & CO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



SLATER HARRISON & CO LIMITED

COMPANY INFORMATION

Directors	C S Dixon J Braddock M Braddock C Hehir J Smallwood D Cazalet
Secretary	D Cazalet
Company number	00374230
Registered office	Lowerhouse Mills Bollington Macclesfield SK10 5HW
Auditor	RSM UK Audit LLP Chartered Accountants Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE

SLATER HARRISON & CO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Turnover showed a £678k reduction on 2018 sales, this shortfall being due to sizeable export contracts coming to an end in the year. Art and Craft recovered ground lost in 2018 achieving 40% (£266k) growth in the year however Education sales fell by 9% (£128k) reversing the gain in 2018.

Overall gross profit in 2019 fell in proportion to sales. Although administration expenses were again well controlled in the year showing a small fall on 2018 levels operating profit has fallen from £87k to a loss of £6k.

The Interest payable cost figure reduced in the year as 2018 included a one-off cost of £168k for GMP equalisation the loss before taxation reduced from £177k in 2018 to £108k in 2019.

The closed LS Dixon Defined Benefit Pension scheme showed an actuarial loss in the year of £203k. Despite an increased company contribution of £120k and positive asset investment performance, low gilt yields have caused a significant increase in the valuation of the scheme's liabilities. In addition this scheme carried a tangible administration cost of £139k in 2019.

The Company has been reducing stock levels throughout the year and has shown a reduction of £182k on 2018 levels, this has also led to a reduction on year end trade creditors of £139k. Trade debtors increased by £75k due to the mix of debtors in Q4 but overall debt position has been well managed with no bad debt recorded in the financial year.

The COVID pandemic has naturally dominated trading so far in 2020: following is a summary of the Company's position at the time of signing these financial statements.

The Company was able to quickly react to the pandemic and ensured that a full range of safety measures were promptly deployed so that the site became, and remains COVID secure. This, and the diversity of Slater Harrison's product and market portfolio has allowed the Company to trade throughout the pandemic making use of Government initiatives including CJRS, Time to Pay, Rate Deferral and Q2 2020 Vat deferral when appropriate. PAYE is fully paid up to date, with business rates being paid on a compressed timescale from July onwards. Q2 VAT will be cleared in 2021 before the deadline of the end of March, however the directors are aware of the HMRC option to pay by instalments should this be required.

A Group CBIL loan for £500k was secured in May and this has provided sufficient cash to ensure that suppliers are being consistently paid on time, but also to ensure the Company will have sufficient cash to survive potential business interruptions over the winter.

Over the year a number of natural reductions in headcount have occurred leading to a net reduction of seven employees which will lead to a saving of around £250k in 2021 compared to the 2019 cost base.

The order book has now recovered to pre pandemic levels, and although a loss in 2020 is likely, it is expected to remain within manageable levels. The board expect a return to profitability in 2021

The closing debtor balances at the end of 2019 have all been recovered and there are no proposed adjustments to the 2019 accounts in the light of the pandemic.

The Company is looking to maintain and increase market share in the Education market through competitive tendering and has continued to be successful in this area in 2019, albeit at reduced margins. Our product is of far higher quality than the competition, we aim to integrate more closely with the national curriculum and to expand our direct delivery service. With reception and Year One classes opening in June 2020 and schools fully opening from September a strong demand for our Educational product has emerged.

SLATER HARRISON & CO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

We are looking towards initiatives to invigorate the picture framing market through innovative new products including Centura Neon for picture framing and active membership of the Fine Art Trade Guild. This market has grown by 8% in 2019. The Board will continue to look for ways to consolidate this position.

The terms under which Britain leaves the European Union remain unresolved. However the Company has many decades of exporting experience, with a qualified export manager and high quality exporting software. The Company has put in place contingency plans around supply, delivery and working capital management that will help us to overcome potential disruption for our existing customers. Whilst it is likely to remain a potential hurdle to breaking into new European supply chains until the position is clearer, as soon as the pandemic situation allows the Board are planning detailed discussions with potential European agents.

The Company has placed a significant focus on our particular strengths of small to medium production runs in water-based metal and plastic free coatings particularly for the packaging industry. Much of this work has a long gestation period but the Board is confident that good progress has been made in this area in 2019 and that Slater Harrison is building a presence with significant players in this market, packaging organisations, brand managers and major end consumer outlets. The Company has a particularly unique business strength in its relationship with Webmaster and its highly respected aqueous self-adhesive application abilities, giving potential customers a fully integrated solution to their packaging needs.

Developing our internal operations will prove a decisive factor as we supply product to increasingly exacting technical specifications. The Board intend to maintain a policy of modest investment to maintain the fabric of our buildings to minimise long term cost, creating a good working environment and to portray a positive image to visitors to our site. In addition, the board will invest in our manufacturing IT capabilities in order to improve manufacturing efficiency, and to improve the Company's quality management structure through application of the BRCGS quality standards for food safety. This will complement the ISO9001 accreditation already held by Webmaster and the FSC accreditation held by Slater Harrison.

The experience and low staff turnover of our workforce is a great asset to the business. However, we have a generally aging workforce with a number of older employees either planning to retire or working reduced hours. A succession plan has been put in place to ensure that key skills are not lost, also the Company has been delighted to welcome a number of apprentices into the organisation in the year who have brought with them skill energy and IT capability.

Operation risks include environmental, health & safety and IT. A comprehensive disaster recovery plan remains in place to ensure that the business can survive any foreseeable risk, and this has been put to the test in 2020 with a number of employees successfully working from home for long periods. In addition the Board will ensure that appropriate business insurance is held to cover business interruption as well as asset losses. We have an active Health and Safety committee, routine inspections and any issues arising are discussed at monthly board meetings.

The Company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The Company has built excellent long-term relationships across the supply base, and has mitigated price risk through recent evaluation of alternative supply sources. Export credit risk has been insured for many years, this insurance was extended to cover UK sales in 2019.

Cash flow is being carefully monitored and managed, the group CIBIL will provide cash security through to 2026 and an extension to the Company Invoice Financing arrangement to cover export sales has been put in place as a further contingency. As part of the LS Dixon Group, the Company has access to short term funds from a number of other sources should they be required.

Worldwide economic conditions will continue to present challenges, especially in response to the ongoing pandemic situation. The Directors believe that our investments in sales, marketing and product sourcing will allow us to exploit opportunities that will arise. The Company will continue to look to leverage its environmentally friendly product and packaging credentials and explore new markets, particularly food grade outer packaging. The Directors are confident that the Company will continue to weather the storm in 2020 and that profitable growth will be achieved in 2021 and beyond.

SLATER HARRISON & CO LIMITED

STRATEGIC REPORT (CONTINUED)

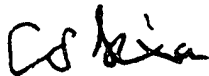
FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

Our KPI's are typical of a manufacturing company of our size and are monitored against budget and prior year equivalents. The main indicators are:

	2019	2018
Turnover	£7,553k	£8,231k
Gross profit	£1,174k	£1,281k
EBITDA	£108k	£208k
(Loss)/profit before tax	(£108k)	(£177k)
Employee numbers	71	72
Stock % of sales	20.0%	20.6%

On behalf of the board



C S Dixon
Director

Date 15/10/20

SLATER HARRISON & CO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company during the year was the manufacture of laminated and coated paper products.

Directors

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

C S Dixon

J Braddock

M Braddock

N Murphy

(Resigned 31 March 2020)

C Hehir

J Smallwood

D Cazalet

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Post reporting date events

Subsequent to the year end, the COVID-19 pandemic has impacted the operations of the Company. This is considered to be a non-adjusting post balance sheet event. The directors have considered the ongoing impact of the COVID-19 pandemic and relevant disclosure in respect of this has been included within the strategic report and going concern accounting policy.

Auditor

The auditor, RSM UK Audit LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 has been included in the separate Strategic Report in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Statement of disclosure to auditor

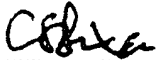
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves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

SLATER HARRISON & CO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board



C S Dixon

Director

Date 15/10/20

SLATER HARRISON & CO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER HARRISON & CO LIMITED

Opinion

We have audited the financial statements of Slater Harrison & Co Limited (the 'company') for the year ended 31 December 2019 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 2019 and of its loss for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER HARRISON & CO LIMITED (CONTINUED)

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 set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view 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.

RSM UK Audit LLP

Anthony Steiner FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire, PR2 5PE

20 October 2020

SLATER HARRISON & CO LIMITED


STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	7,553,361	8,231,140
Cost of sales		(6,378,934)	(6,950,288)
Gross profit		1,174,427	1,280,852
Administrative expenses - normal		(1,099,298)	(1,100,829)
Administrative expenses - defined benefit pension charges		(81,094)	(79,563)
Administrative expenses		(1,180,392)	(1,197,663)
Other operating income		-	3,600
Operating (loss)/profit	6	(5,965)	86,789
Interest payable - normal	7	(102,327)	(95,840)
Interest payable - GMP equalisation	7	-	(168,000)
Interest payable and similar expenses		(102,327)	(263,840)
Loss before taxation		(108,292)	(177,051)
Tax on loss	8	34,145	48,357
Loss for the financial year		(74,147)	(128,694)
Other comprehensive income net of taxation			
Actuarial (loss)/gain on defined benefit pension schemes		(203,000)	269,000
Tax relating to other comprehensive income		34,510	(45,730)
Total comprehensive income for the year		(242,637)	94,576

SLATER HARRISON & CO LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	9		26,186		26,437
Tangible assets	10		668,921		717,293
			<u>695,107</u>		<u>743,730</u>
Current assets					
Stocks	11	1,511,888		1,694,148	
Debtors falling due after more than one year	12	357,632		323,201	
Debtors falling due within one year	12	2,332,101		2,143,228	
Cash at bank and in hand		69,863		68,903	
		<u>4,271,484</u>		<u>4,229,480</u>	
Creditors: amounts falling due within one year	13	<u>(1,671,162)</u>		<u>(1,575,661)</u>	
Net current assets			<u>2,600,322</u>		<u>2,653,819</u>
Total assets less current liabilities			<u>3,295,429</u>		<u>3,397,549</u>
Creditors: amounts falling due after more than one year	14		-		(7,483)
Net assets excluding pension liability			<u>3,295,429</u>		<u>3,390,066</u>
Defined benefit pension liability	18		<u>(2,395,000)</u>		<u>(2,247,000)</u>
Net assets			<u><u>900,429</u></u>		<u><u>1,143,066</u></u>
Capital and reserves					
Called up share capital	19		157,500		157,500
Capital redemption reserve	20		10,000		10,000
Profit and loss reserves	20		732,929		975,566
Total equity			<u><u>900,429</u></u>		<u><u>1,143,066</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15/10/20 and are signed on its behalf by:


 C S Dixon
 Director

SLATER HARRISON & CO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		157,500	10,000	880,990	1,048,490
Year ended 31 December 2018:					
Loss for the year		-	-	(128,694)	(128,694)
Other comprehensive income net of taxation:					
Actuarial gains on defined benefit plans	18	-	-	269,000	269,000
Tax relating to other comprehensive income		-	-	(45,730)	(45,730)
Total comprehensive income for the year		-	-	94,576	94,576
Balance at 31 December 2018		157,500	10,000	975,566	1,143,066
Year ended 31 December 2019:					
Loss for the year		-	-	(74,147)	(74,147)
Other comprehensive income net of taxation:					
Actuarial losses on defined benefit plans	18	-	-	(203,000)	(203,000)
Tax relating to other comprehensive income		-	-	34,510	34,510
Total comprehensive income for the year		-	-	(242,637)	(242,637)
Balance at 31 December 2019		157,500	10,000	732,929	900,429

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Slater Harrison & Co Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Lowerhouse Mills, Bollington, Macclesfield, SK10 5HW.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006 including the provisions of the large and medium sized companies and groups (Accounts and Reports Regulations) 2008.

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 £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS 102 the company has taken advantage of the exemptions from the following disclosure requirements in respect of its individual financial statements. These disclosures are given on a consolidated basis:

- Section 4 Statement of Financial Position – Reconciliation of the opening and closing number of shares;
- Section 7 Statement of Cash Flows – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments and Section 12 Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 Related Party Disclosures – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of L S Dixon Group Limited. The consolidated financial statements of L S Dixon Group Limited are available from its registered office, Lowerhouse Mills, Bollington, Macclesfield, SK10 5HW.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have prepared projections that consider the potential impact of COVID-19 and expect the Company to remain within agreed facilities and fulfil all other liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The overdraft facility is due to be renewed within the next 12 months as part of a 12 month rolling review, however the directors do not believe there will be any significant changes to this facility. The impact of COVID-19 has been mitigated through a reassessment of the cost base across the Company and utilising government schemes such as furloughing staff and securing a CBILs loan. As such the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of laminated and coated paper products to customers during the year. Turnover is recognised at the point of transfer of the rights and benefits of ownership, of goods to the customer, typically being on delivery. Turnover is stated less returns.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

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.

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

Software	25% straight line
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Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation.

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

Plant and machinery	10% reducing balance
Fixtures, fittings and equipment	20% reducing balance & 25% straight line
Motor vehicles	25% reducing balance

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.

Impairment of fixed assets

At each reporting 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).

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell which is net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale the weighted average purchase price is used.

For work in progress and finished goods cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

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

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings 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.

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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 creditors, bank loans and overdrafts and amounts owed to group undertakings, 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.

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

Equity instruments

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

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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 fixed assets.

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

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

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.

Critical judgements

There are no critical judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Defined benefit pension scheme

The present value of the defined benefit pension scheme liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 December 2017 has been used by the actuary in valuing the pensions liability at 31 December 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Stock provision

The directors have made estimates and judgements in respect of the recoverable value of finished goods and made provision for any possible slow moving/obsolete stock.

3 Turnover and other revenue

An analysis of the company's turnover is as follows.

	2019 £	2018 £
Turnover analysed by class of business		
Sale of goods	7,553,361	8,231,140
	<u>7,553,361</u>	<u>8,231,140</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	5,123,846	5,019,256
Europe	2,255,277	3,040,743
Asia	77,916	54,277
Other	96,322	116,864
	<u>7,553,361</u>	<u>8,231,140</u>

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4 Employees

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

	2019 Number	2018 Number
Production staff	51	52
Sales and administration staff	20	20
	<u>71</u>	<u>72</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,802,622	1,788,685
Social security costs	161,224	179,697
Pension costs	263,587	253,715
	<u>2,227,433</u>	<u>2,222,097</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	272,112	270,319
Company pension contributions to defined contribution schemes	38,394	41,761
	<u>310,506</u>	<u>312,080</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2018 - 4).

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

	2019 £	2018 £
Remuneration for qualifying services	87,979	81,263
Company pension contributions to defined contribution schemes	12,286	10,632

Management recharges to Webmaster included £80,000 (2018 £78,000) in respect of directors remunerated in the company, the costs being included above, where services were undertaken for Webmaster a fellow group company.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Operating (loss)/profit

	2019	2018
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses	3,109	2,243
Fees payable to the company's auditor for the audit of the company's financial statements	10,800	10,800
Depreciation of owned tangible fixed assets	98,441	95,016
Depreciation of tangible fixed assets held under finance leases	4,480	16,880
Profit on disposal of tangible fixed assets	(3,465)	(5,800)
Amortisation of intangible assets	11,325	9,436
Cost of stocks recognised as an expense	3,840,316	4,297,784
Operating lease charges	37,278	39,703

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	38,172	35,824
Interest on finance leases and hire purchase contracts	1,155	2,016
Net interest on the net defined benefit liability	63,000	58,000
GMP equalisation	-	168,000
	102,327	263,840

Interest payable includes £Nil (2018: £168,000) in relation to a curtailment as a result of the Guaranteed Minimum Pension ('GMP') equalisation as detailed in note 18.

8 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	(33,429)	(16,464)
Adjustments in respect of prior periods	(795)	(10,442)
Total current tax	(34,224)	(26,906)
Deferred tax		
Origination and reversal of timing differences	(20)	(27,459)
Adjustment in respect of prior periods	99	6,008
Total deferred tax	79	(21,451)
Total tax credit	(34,145)	(48,357)

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows

	2019 £	2018 £
Loss before taxation	(108,292)	(177,051)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018 19.00%)	(20,575)	(33,640)
Tax effect of expenses that are not deductible in determining taxable profit	1,139	55
Adjustments in respect of prior years	(795)	(10,442)
Effect of change in corporation tax rate	-	(2,149)
Permanent capital allowances in excess of depreciation	198	519
Other permanent differences	171	-
Deferred tax adjustments in respect of prior years	4,161	6,008
Research and development	(14,384)	(14,088)
Amounts (charged)/credited to equity in respect of pension contributions	(4,060)	5,380
Taxation credit for the year	(34,145)	(48,357)

In addition to the amount credited to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on		
Actuarial differences recognised as other comprehensive income	(34,510)	45,730

The Chancellor stated his intention to reduce the main rate of corporation to 17% from 1 April 2020. These reductions were enacted as part of the Finance Bill on 6 September 2016. On 17 March 2020 a resolution was substantively enacted to setting the rate of corporation tax at 19%.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Intangible fixed assets

	Software £
Cost	
At 1 January 2019	175,021
Additions - internally developed	11,074
At 31 December 2019	186,095
Amortisation and impairment	
At 1 January 2019	148,584
Amortisation charged for the year	11,325
At 31 December 2019	159,909
Carrying amount	
At 31 December 2019	26,186
At 31 December 2018	26,437

10 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2019	4,207,030	325,877	85,929	4,618,836
Additions	10,392	49,221	-	59,613
Disposals	-	-	(21,383)	(21,383)
At 31 December 2019	4,217,422	375,098	64,546	4,657,066
Depreciation and impairment				
At 1 January 2019	3,571,920	281,641	47,982	3,901,543
Depreciation charged in the year	63,449	29,992	9,480	102,921
Eliminated in respect of disposals	-	-	(16,319)	(16,319)
At 31 December 2019	3,635,369	311,633	41,143	3,988,145
Carrying amount				
At 31 December 2019	582,053	63,465	23,403	668,921
At 31 December 2018	635,110	44,236	37,947	717,293

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases.

	2019 £	2018 £
Motor vehicles	13,516	17,996

11 Stocks

	2019 £	2018 £
Raw materials and consumables	753,962	901,140
Work in progress	163,873	199,599
Finished goods and goods for resale	594,053	593,409
	<u>1,511,888</u>	<u>1,694,148</u>

12 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	830,738	756,139
Corporation tax recoverable	33,429	26,906
Amounts owed by group undertakings	1,341,334	1,213,074
Other debtors	140	35
Prepayments and accrued income	126,460	147,074
	<u>2,332,101</u>	<u>2,143,228</u>

	2019 £	2018 £
Amounts falling due after more than one year:		
Deferred tax asset (note 17)	357,632	323,201
	<u>357,632</u>	<u>323,201</u>
Total debtors	<u>2,689,733</u>	<u>2,466,429</u>

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	15	642,387	435,281
Obligations under finance leases	16	7,921	7,915
Trade creditors		746,305	884,884
Amounts owed to group undertakings		-	28,787
Taxation and social security		124,631	67,727
Other creditors		303	-
Accruals and deferred income		149,615	151,067
		<u>1,671,162</u>	<u>1,575,661</u>

Included within bank loans & overdrafts is an invoice financing facility of £554,086 (2018: £367,601). security is provided over the trade debtors of the company. The overdraft is secured by a debenture over the assets of the company, excluding the trade debtors. Hire purchase agreements are secured against the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	16	-	7,483

Hire purchase agreements are secured against the assets to which they relate.

15 Borrowings

	2019 £	2018 £
Bank loans	554,086	367,601
Bank overdrafts	88,301	67,680
	<u>642,387</u>	<u>435,281</u>
Payable within one year	<u>642,387</u>	<u>435,281</u>

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Finance lease obligations

	2019	2018
	£	£
Future minimum lease payments due under finance leases		
Less than one year	7,921	7,915
Between one and five years	-	7,483
	<u>7,921</u>	<u>15,398</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The average term of finance leases entered into is 24 months.

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

	Assets 2019	Assets 2018
	£	£
Balances:		
Accelerated capital allowances	(84,311)	(85,373)
Tax losses carried forward	32,133	23,971
Deferred tax in respect of the defined benefit scheme	409,810	384,603
	<u>357,632</u>	<u>323,201</u>
		2019
Movements in the year:		£
Liability/(Asset) at 1 January 2019		(323,201)
Charge to profit or loss		79
Credit to other comprehensive income		(34,510)
Liability/(Asset) at 31 December 2019		<u>(357,632)</u>

The deferred tax asset set out above is expected to reverse after 12 months and relates mainly to the pension movement. The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	182,493	174,152

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Defined benefit schemes

The company operates a pension scheme providing benefits based on final pensionable salary. The defined benefit scheme was closed to future accrual, effective 30 September 2014. The latest full actuarial valuation was carried out on 31 December 2017 and was updated for the purposes of these financial statements to 31 December 2019 by a qualified, independent actuary.

Key assumptions	2019 %	2018 %
Discount rate	2.0	2.9
Expected rate of future inflation - RPI	3.2	3.4
Mortality assumptions	2019 Years	2018 Years
Assumed life expectations on retirement at age 65		
Retiring today		
- Males	87	88
- Females	89	90
Retiring in 20 years		
- Males	89	89
- Females	91	92
Amounts recognised in the income statement	2019 £	2018 £
Net interest on defined benefit liability/(asset)	63,000	58,000
Curtailment/past service cost	-	168,000
Total costs	63,000	226,000

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Retirement benefit schemes (Continued)

	2019 £	2018 £
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(1,665,000)	338,000
Less: calculated interest element	260,000	244,000
Return on scheme assets excluding interest income	(1,405,000)	582,000
Actuarial changes related to obligations	1,608,000	(851,000)
Total costs/(income)	203,000	(269,000)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows.

	2019 £	2018 £
Present value of defined benefit obligations	12,863,000	11,344,000
Fair value of plan assets	(10,468,000)	(9,097,000)
Deficit in scheme	2,395,000	2,247,000

	2019 £
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2019	11,344,000
Benefits paid	(412,000)
Actuarial gains and losses	1,608,000
Interest cost	323,000
At 31 December 2019	12,863,000

	2019 £
<i>The defined benefit obligations arise from plans funded as follows</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	12,863,000
	12,863,000

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Retirement benefit schemes (Continued)

<i>Movements in the fair value of plan assets</i>	2019 £
Fair value of assets at 1 January 2019	9 097,000
Interest income	260 000
Return on plan assets (excluding amounts included in net interest)	1 405,000
Benefits paid	(412 000)
Contributions by the employer	118 000
At 31 December 2019	<u>10 468 000</u>

The actual return on plan assets was £1,665 000 (2018 - £338 000).

<i>The analysis of the scheme assets at the reporting date were as follows:</i>	2019 £	2018 £
Equity instruments	4,811,000	4,170,000
Gilts	642,000	557,000
Bonds	2,716 000	2,357,000
Cash	797,000	505,000
LDI	1 502 000	1 508,000
	<u>10,468 000</u>	<u>9 097,000</u>

The prior year valuation included an estimation for an additional liability of £168 000 as a result of the Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension.

19 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
157,500 Ordinary shares of £1 each	157 500	157 500
	<u>157 500</u>	<u>157,500</u>

20 Reserves

Capital redemption reserve

The capital redemption reserve represents the par value of shares redeemed by the company.

Profit and loss reserves

The profit and loss reserve represents earnings net of distributions to owners.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Financial commitments, guarantees and contingent liabilities

The company has executed a guarantee in the sum of £30,000 (2018: £30,000) in respect of deferred duty payments.

The company has entered into an unlimited cross-guarantee structure in favour of National Westminster Bank PLC in respect of overdraft and loan facilities granted to other fellow subsidiary undertakings and LS Dixon Group Limited. The cross-guarantee structure is supported by mortgage debentures in favour of National Westminster Bank PLC over the assets and undertaking of the company and group. Total group borrowings at 31 December 2019 amounted to £834,336 (2018: £524,392).

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

	2019 £	2018 £
Within one year	31,145	31,188
Between one and five years	72,429	39,713
	<u>103,574</u>	<u>70,901</u>

23 Events after the reporting date

Subsequent to the year end, the COVID-19 pandemic has impacted the operations of the Company. This is considered to be a non-adjusting post balance sheet event. The directors have considered the ongoing impact of the COVID-19 pandemic and relevant disclosure in respect of this has been included within the strategic report and going concern accounting policy.

24 Related party transactions

The company has taken advantage of the exemption under FRS102, not to disclose transactions during the year with other group undertakings on the grounds that it is a wholly owned subsidiary where the ultimate parent company prepares group accounts.

25 Ultimate controlling party

The directors consider the immediate and ultimate holding company to be LS Dixon Group Limited, a company incorporated in England and Wales. LS Dixon Group Limited is the only undertaking preparing group accounts to include the financial statements of the company. The consolidated financial statements of LS Dixon Group Limited can be obtained from the registered office.

The company is a subsidiary of LS Dixon Group Limited and was controlled by it. LS Dixon Group Limited is ultimately controlled by its directors.