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Company Registration No. 00374230 (England and Wales)

SLATER HARRISON & CO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018



SLATER HARRISON & CO LIMITED

COMPANY INFORMATION

Directors	C S.Dixon J Braddock M Braddock N Murphy 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 <i>Chartered Accountants</i> Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE
Business address	Lowerhouse Mills Bollington Macclesfield SK10 5HW

SLATER HARRISON & CO 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

The Board is pleased to report a 5% increase in turnover for 2018, mostly arising in European markets. Turnover at home was mixed, with a 5% reduction on 2017 sales. Education sales saw a reversal of the decline in recent years and showed a growth of 7%, however this was offset by a 27% decline in the Art and Craft Market, widely attributed in the industry to the exceptionally dry weather over most of the year, and a 20% decline in packaging sales as programmes with existing customers came to a natural end. Sales in both of these markets is expected to recover in 2019.

Overall gross profit increased in line with sales, although % profit margin fell fractionally from 2017 levels due to the sales mix. Administration expenses were well controlled in the year, the increase largely restricted to cost of living indices. There was a significant and unforeseeable one - off charge of £168k in respect of the defined benefit pension liability following the October 2018 High Court ruling relating to Guaranteed Minimum Pension (GMP) Equalisation. This was offset by an actuarial gain on the pension scheme of £269k, an encouraging outcome after the investment losses of the previous two years.

Stock has been well controlled throughout the year and maintained at 2017 levels, trade debtors and creditors are lower than 2017 reflecting a generally quiet trading period in Q4, net assets excluding pension liability remain relatively static. The defined benefit pension liability has shown a reduction of £143k from 2017 due to improved gilt yields, in total our reserves have increased by £95k from 2017.

Principal risks and uncertainties

The company's main commercial risk is reduced turnover due to competition. The board maintains an outward looking approach, looking to build deep relationships with existing customers while attracting new business.

The impact of Britain leaving the European Unit is of course a potential source of serious disruption with around 25% of the Company's sales being to EU destinations. The Board has assessed the risks and believes that the organisation has put in place contingency plans around supply, delivery and working capital management that will allow us to overcome this disruption without major damage to our business.

Operation risks include environmental, health & safety and IT risks. A comprehensive disaster recovery plan has been created to ensure that the business can survive any foreseeable risk, with appropriate insurance held to cover business interruption as well as asset losses.

The funding level of the (closed) LS Dixon Group Retirement Benefits Scheme continues to be a risk to its sponsoring employer. During the year the trustees implemented a new investment strategy aimed at eliminating the deficit over a period whilst largely insuring against the risk of further yield reductions. The benefits of this approach have become apparent in the 2018 results and the trustees will look to continue this strategy in future years.

Financial risk management objectives and policies

The company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The company manages these risks by financing its operations through retained profits, supplemented by an invoice discounting facility.

The management objectives are to retain sufficient liquid funds to enable it to meet its day to day requirements, minimise the company's exposure to fluctuating interest rates, and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the company's trading activities.

SLATER HARRISON & CO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Future plans

Our strategy remains unchanged: to exploit opportunities in niche markets utilising our unrivalled range of equipment and skills and in particular our expertise in water-based and metal free coatings.

In order to maintain competitiveness, we are working to reduce costs by improved product sourcing and close control of overheads; this will enable us to prosper despite the structural weakness of the paper trade.

Worldwide economic conditions remain challenging but we believe that our investments in sales, marketing and product sourcing will improve our competitive position in both UK and Export markets. The company will look to leverage its environmentally friendly product and packaging credentials and explore new markets, particularly food grade outer packaging. The Directors are confident that profitable growth will be achieved in 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:

	2018	2017
Turnover	£8,231k	£7,853k
Gross profit	£1,281k	£1,228k
EBITDA	£208k	£205k
(Loss)/profit before tax	(£177k)	(£9k)
Employee numbers	72	71

On behalf of the board



C S Dixon
Director

Date: 3/5/19

SLATER HARRISON & CO 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 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	
T Hughes	(Resigned 31 August 2018)
N Murphy	
C Hehir	(Appointed 17 January 2018)
J Smallwood	(Appointed 21 February 2018)
D Cazalet	(Appointed 16 May 2018)

Results and dividends

The results for the year are set out on page 7.

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

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.

On behalf of the board



C S Dixon

Director

Date: 3/5/19

SLATER HARRISON & CO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 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 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 4, 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.



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

9.5.19

SLATER HARRISON & CO LIMITED

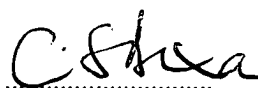
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	8,231,140	7,852,698
Cost of sales		(6,950,288)	(6,624,766)
Gross profit		1,280,852	1,227,932
Administrative expenses		(1,197,663)	(1,148,894)
Other operating income		3,600	10,800
Operating profit	6	86,789	89,838
Interest payable - normal	7	(95,840)	(99,246)
GMP equalisation	7	(168,000)	-
Interest payable and similar expenses	7	(263,840)	(99,246)
Loss before taxation		(177,051)	(9,408)
Tax on loss	8	48,357	(6,301)
Loss for the financial year		(128,694)	(15,709)
Other comprehensive income net of taxation			
Actuarial gain/(loss) on defined benefit pension schemes		269,000	(223,000)
Tax relating to other comprehensive income		(45,730)	37,910
Total comprehensive income for the year		94,576	(200,799)

SLATER HARRISON & CO LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	9		26,437		11,639
Tangible assets	10		717,293		819,111
			<u>743,730</u>		<u>830,750</u>
Current assets					
Stocks	11	1,694,148		1,684,855	
Debtors falling due after more than one year	12	323,201		347,480	
Debtors falling due within one year	12	2,143,228		2,493,885	
Cash at bank and in hand		68,903		95,477	
		<u>4,229,480</u>		<u>4,621,697</u>	
Creditors: amounts falling due within one year	13	<u>(1,575,661)</u>		<u>(1,998,127)</u>	
Net current assets			<u>2,653,819</u>		<u>2,623,570</u>
Total assets less current liabilities			<u>3,397,549</u>		<u>3,454,320</u>
Creditors: amounts falling due after more than one year	14		<u>(7,483)</u>		<u>(15,830)</u>
Net assets excluding pension liability			<u>3,390,066</u>		<u>3,438,490</u>
Defined benefit pension liability	18		<u>(2,247,000)</u>		<u>(2,390,000)</u>
Net assets			<u><u>1,143,066</u></u>		<u><u>1,048,490</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		975,566		880,990
Total equity			<u><u>1,143,066</u></u>		<u><u>1,048,490</u></u>

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

 3/5/19

C S Dixon
Director

SLATER HARRISON & CO LIMITED

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

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2017	157,500	10,000	1,081,789	1,249,289
Year ended 31 December 2017:				
Loss for the year	-	-	(15,709)	(15,709)
Other comprehensive income net of taxation:				
Actuarial losses on defined benefit plans	-	-	(223,000)	(223,000)
Tax relating to other comprehensive income	-	-	37,910	37,910
Total comprehensive income for the year	-	-	(200,799)	(200,799)
Balance at 31 December 2017	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	-	-	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

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 have been prepared with early application of the FRS 102 Triennial Review 2017 amendments in full.

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 on 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 directors have concluded that it is appropriate to prepare the accounts on a going concern basis as the company has adequate cash resources and financial projections indicate that the company will continue to trade within its existing bank facilities.

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 2018

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.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors, loans to fellow group companies 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 creditors, 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.

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 direct issue 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 2018

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 2018

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 the income statement 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 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 leased 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 2018

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 2018. 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:

	2018 £	2017 £
Turnover analysed by class of business		
Provision of goods and services	8,231,140	7,852,698
	<u>8,231,140</u>	<u>7,852,698</u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	5,019,256	5,265,198
Europe	3,040,743	2,408,673
Asia	54,277	108,641
Other	116,864	70,186
	<u>8,231,140</u>	<u>7,852,698</u>

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Employees

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

	2018 Number	2017 Number
Production staff	52	51
Sales and administration staff	20	20
	<u>72</u>	<u>71</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,788,685	1,664,784
Social security costs	179,697	195,853
Pension costs	253,715	245,321
	<u>2,222,097</u>	<u>2,105,958</u>

5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	270,319	245,049
Company pension contributions to defined contribution schemes	41,761	30,628
	<u>312,080</u>	<u>275,677</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 - 3).

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

	2018 £	2017 £
Remuneration for qualifying services	81,263	113,413
Company pension contributions to defined contribution schemes	10,632	15,581

Management recharges to Webmaster included £78,000 (2017: £69,000) 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 2018

6 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	2,243	(1,652)
Fees payable to the company's auditor for the audit of the company's financial statements	10,800	10,595
Depreciation of owned tangible fixed assets	95,016	104,418
Depreciation of tangible fixed assets held under finance leases	16,880	2,936
Profit on disposal of tangible fixed assets	(5,800)	-
Amortisation of intangible assets	9,436	7,824
Cost of stocks recognised as an expense	4,297,784	4,055,935
Operating lease charges	39,703	40,224

7 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	35,824	39,845
Interest on finance leases and hire purchase contracts	2,016	1,401
Net interest on the net defined benefit liability	58,000	58,000
GMP equalisation	168,000	-
	263,840	99,246

Interest payable includes £168,000 (2017: £Nil) in relation to a curtailment as a result of the Guaranteed Minimum Pension ('GMP') equalisation as detailed in note 18.

8 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	(16,464)	-
Adjustments in respect of prior periods	(10,442)	-
Total current tax	(26,906)	-
Deferred tax		
Origination and reversal of timing differences	(27,459)	15,169
Adjustment in respect of prior periods	6,008	(8,868)
Total deferred tax	(21,451)	6,301
Total tax (credit)/charge	(48,357)	6,301

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation (Continued)

The total tax (credit)/charge 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:

	2018 £	2017 £
Loss before taxation	(177,051)	(9,408)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(33,640)	(1,811)
Tax effect of expenses that are not deductible in determining taxable profit	55	1,277
Adjustments in respect of prior years	(10,442)	-
Effect of change in corporation tax rate	(2,149)	2,229
Permanent capital allowances in excess of depreciation	519	18,484
Deferred tax adjustments in respect of prior years	6,008	(8,868)
Research and development	(14,088)	-
Amounts (charged)/credited to equity in respect of pension contributions	5,380	(5,010)
Taxation (credit)/charge for the year	(48,357)	6,301

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

	2018 £	2017 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	45,730	(37,910)

The Chancellor stated his intention to reduce the main rate of corporation tax 19% to 17% from 1 April 2020. This change was enacted on 6 September 2016.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Intangible fixed assets

	Software £
Cost	
At 1 January 2018	150,787
Additions - internally developed	24,234
At 31 December 2018	175,021
Amortisation and impairment	
At 1 January 2018	139,148
Amortisation charged for the year	9,436
At 31 December 2018	148,584
Carrying amount	
At 31 December 2018	26,437
At 31 December 2017	11,639

10 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2018	4,207,030	315,799	112,597	4,635,426
Additions	-	10,078	-	10,078
Disposals	-	-	(26,668)	(26,668)
At 31 December 2018	4,207,030	325,877	85,929	4,618,836
Depreciation and impairment				
At 1 January 2018	3,502,463	260,305	53,547	3,816,315
Depreciation charged in the year	69,457	21,336	21,103	111,896
Eliminated in respect of disposals	-	-	(26,668)	(26,668)
At 31 December 2018	3,571,920	281,641	47,982	3,901,543
Carrying amount				
At 31 December 2018	635,110	44,236	37,947	717,293
At 31 December 2017	704,567	55,494	59,050	819,111

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Tangible fixed assets (Continued)

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

	2018 £	2017 £
Plant and machinery	-	26,426
Motor vehicles	17,996	23,995
	<u>17,996</u>	<u>50,421</u>
Depreciation charge for the year in respect of leased assets	<u>16,880</u>	<u>2,936</u>

11 Stocks

	2018 £	2017 £
Raw materials and consumables	901,140	875,969
Work in progress	199,599	229,150
Finished goods and goods for resale	593,409	579,736
	<u>1,694,148</u>	<u>1,684,855</u>

12 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	756,139	1,036,488
Corporation tax recoverable	26,906	-
Amounts owed by group undertakings	1,213,074	1,293,886
Other debtors	35	835
Prepayments and accrued income	147,074	162,676
	<u>2,143,228</u>	<u>2,493,885</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 17)	<u>323,201</u>	<u>347,480</u>
Total debtors	<u>2,466,429</u>	<u>2,841,365</u>

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	15	435,281	673,523
Obligations under finance leases	16	7,915	18,790
Trade creditors		884,884	952,827
Amounts due to group undertakings		28,787	93,528
Other taxation and social security		67,727	88,026
Accruals and deferred income		151,067	171,433
		<u>1,575,661</u>	<u>1,998,127</u>

Included within bank loans & overdrafts is an invoice financing facility of £367,601 (2017: £673,523), 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	2018 £	2017 £
Obligations under finance leases	16	<u>7,483</u>	<u>15,830</u>

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

15 Borrowings

	2018 £	2017 £
Bank loans	367,601	673,523
Bank overdrafts	67,680	-
	<u>435,281</u>	<u>673,523</u>
Payable within one year	<u>435,281</u>	<u>673,523</u>

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

16 Finance lease obligations

	2018	2017
	£	£
Future minimum lease payments due under finance leases:		
Less than one year	7,915	18,790
Between one and five years	7,483	15,830
	<u>15,398</u>	<u>34,620</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 2018	Assets 2017
	£	£
Balances:		
Accelerated capital allowances	(85,373)	(93,727)
Tax losses carried forward	23,971	29,979
Deferred tax in respect of the defined benefit scheme	384,603	411,228
	<u>323,201</u>	<u>347,480</u>

	2018 £
Movements in the year:	
Liability/(Asset) at 1 January 2018	(347,480)
Credit to profit or loss	(21,451)
Charge to other comprehensive income	45,730
Liability/(Asset) at 31 December 2018	<u>(323,201)</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 2018

18 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	253,715	245,321

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 2018 by a qualified, independent actuary.

	2018	2017
	%	%
<i>Key assumptions</i>		
Discount rate	2.9	2.5
Expected rate of future inflation - RPI	3.4	3.3

	2018	2017
	Years	Years
<i>Mortality assumptions</i>		
Assumed life expectations on retirement at age 65:		
Retiring today		
- Males	88	87
- Females	90	89
Retiring in 20 years		
- Males	89	90
- Females	92	92

	2018	2017
	£	£
<i>Amounts recognised in the income statement</i>		
Net interest on defined benefit liability/(asset)	58,000	58,000
Curtailment/past service cost	168,000	-
Total costs	226,000	58,000

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Retirement benefit schemes (Continued)

	2018 £	2017 £
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	338,000	(477,000)
Less: calculated interest element	244,000	262,000
Return on scheme assets excluding interest income	582,000	(215,000)
Actuarial changes related to obligations	(851,000)	438,000
Total (income)/costs	(269,000)	223,000

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

	2018 £	2017 £
Present value of defined benefit obligations	11,344,000	12,433,000
Fair value of plan assets	(9,097,000)	(10,043,000)
Deficit in scheme	2,247,000	2,390,000

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

18 Retirement benefit schemes (Continued)

	2018 £
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2018	12,433,000
Plan introductions, changes, curtailments and settlements	168,000
Benefits paid	(708,000)
Actuarial gains and losses	(851,000)
Interest cost	302,000
At 31 December 2018	<u>11,344,000</u>

	2018 £
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	11,344,000
	<u>11,344,000</u>

	2018 £
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2018	10,043,000
Interest income	244,000
Return on plan assets (excluding amounts included in net interest)	(582,000)
Benefits paid	(708,000)
Contributions by the employer	100,000
At 31 December 2018	<u>9,097,000</u>

	2018 £	2017 £
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	4,170,000	4,462,000
Gilts	557,000	596,000
Bonds	2,357,000	2,527,000
Cash	505,000	412,000
LDI	1,508,000	2,046,000
	<u>9,097,000</u>	<u>10,043,000</u>

The current valuation includes an estimation for an additional liability of £168,000 (2017: £Nil) 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.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19 Share capital

	2018 £	2017 £
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.

21 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 £
Within one year	31,188	36,947
Between one and five years	39,713	49,353
	<u>70,901</u>	<u>86,300</u>

22 Financial commitments, guarantees and contingent liabilities

The company has executed a guarantee in the sum of £30,000 (2017: £40,000) 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 2018 amounted to £524,392 (2017: £891,589).

23 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.

During the year, two cars with £Nil net book value were sold to directors of the company for £Nil proceeds.

SLATER HARRISON & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

24 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.