

Pritchard Patent Product Co. Limited

**Annual Report and Financial Statements
Year Ended 30 April 2019**

Registration number: 00408782

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Pritchard Patent Product Co. Limited

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Pritchard Patent Product Co. Limited

Company Information

Directors Mr C M Pritchard
 Mrs H M Robarts-Arnold
 Mrs C B Sargent
 Mr C P Noake
 Mr J H B Robarts-Arnold

Company secretary Mr C P Noake

Registered office Underleys
 Beer
 Seaton
 Devon
 EX12 3NA

Auditors PKF Francis Clark
 Statutory Auditor
 Ground floor
 Blackbrook Gate 1
 Blackbrook Business Park
 Taunton
 Somerset
 TA1 2PX

Pritchard Patent Product Co. Limited

Strategic Report

Year Ended 30 April 2019

The directors present their strategic report for the year ended 30 April 2019.

Fair review of the business

Turnover has increased by 10.2% to £7,256,556 (2018 - £6,583,323) which has been achieved through a combination of improved sales across all product ranges both at home and abroad.

During 2018, Peco had the fortunate opportunity to work alongside a production company who commissioned a "bake off" style TV programme on Channel 5 entitled "The Great Model Railway Challenge". This was aired in October 2018 and featured Railway Modeller editor Steve Flint.

The group operates in a global competitive marketplace for its products and publications, and the uncertainty over Brexit has impacted our supply chain more than our customers. Whilst the Directors can have no certainty over what the likely impacts of Brexit may be, they have taken all mitigating actions and decisions for what can be reasonably foreseen. For example, applying for Approved Exporter status, ensuring all import / export documentation and procedures are in place, forward buying supplies where possible and keeping a close dialogue with our overseas customers.

The main issue impacting the financial statements is surrounding the reporting of defined benefit pension costs, in accordance with FRS102. Net assets for the year (excluding pension liability) has risen by £600,589 to £9,852,582 (2018 - £9,251,993). The pension liability itself has reduced to £7,097,000 (2018 - £7,284,000) for the year.

The company's key financial and other performance indicators during the year were as follows:

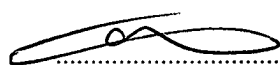
	Unit	2019	2018
Turnover	£	7,256,556	6,583,323
Gross profit margin	%	22	21
Profit after tax	£	387,589	134,524

Principal risks and uncertainties

The principal risks and uncertainties that could impact the company's long term performance include the wider economic climate affecting disposable income of the target market both in the UK and overseas markets where the company trades, as well as movements in metals pricing. Financial risks associated with the purchase of commodities (metal) is actively managed by way of forward purchasing at fixed rates.

As described above the company is the representative company of the multi-employer defined benefit pension scheme which was closed to members in 2011. The FRS 102 liability of £7,097,000 (2018 - £7,284,000) is recognised on the company's balance sheet. The related deferred tax asset of £1,207,000 (2018 - £1,239,000) is included within debtors. This deficit is sensitive to the key assumptions used in its compilation and these are set out in note 23, these assumptions will differ from those used in the actuarial valuation. The company maintains substantial cash balances which are ring-fenced in order to fund the deficit should the need arise.

Approved by the Board on 28/11/2019 and signed on its behalf by:


Mr C P Noake
Company secretary and director

Pritchard Patent Product Co. Limited

Directors' Report

Year Ended 30 April 2019

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

Directors of the company

The directors who held office during the year were as follows:

Mr C M Pritchard

Mrs H M Robarts-Arnold

Mrs C B Sargent

Mr C P Noake - Company secretary and director

Mr J H B Robarts-Arnold

Financial instruments

Objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cashflow risk and liquidity risk. The use and nature of financial instruments are determined by the directors in the context of trading terms made available to the company by customers and suppliers, with the objective of securing the liquidity and profitability of the company.

Price risk, credit risk, liquidity risk and cash flow risk

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors.

Due to the nature of the financial instruments used by the company, there is a limited exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the availability of overdraft facilities at floating rates of interest.

Trade debtors are managed in respect of credit and cash flow risk policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due. Trade creditors are paid in line with agreed credit terms and conditions, subject to correct invoicing.

Pritchard Patent Product Co. Limited

Directors' Report

Year Ended 30 April 2019

Future developments

The Directors are considering the issues of requiring more space for materials, finished stock and machinery and a number of options are being explored.

A programme of upgrading several older production machines to improve capacity has already started, and space is currently being allocated for these.

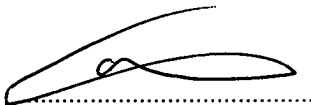
A continued strategy of attending a range of exhibitions to promote the Peco brand and hobby is important to the Directors, together with producing at least two specialist guides and catalogues a year to complement this. A programme of continual updates to the website is also in place.

Cash balances are retained to enable the directors to take advantage of business opportunities as and when they arise.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 28/11/2019 and signed on its behalf by:



Mr C P Noake
Company secretary and director

Pritchard Patent Product Co. Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Pritchard Patent Product Co. Limited

Independent Auditor's Report to the Members of Pritchard Patent Product Co. Limited

Opinion

We have audited the financial statements of Pritchard Patent Product Co. Limited (the 'company') for the year ended 30 April 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Pritchard Patent Product Co. Limited

Independent Auditor's Report to the Members of Pritchard Patent Product Co. Limited

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Pritchard Patent Product Co. Limited

Independent Auditor's Report to the Members of Pritchard Patent Product Co. Limited

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.



Nicholas Farrant BA MSc FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Ground floor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

Date: 2nd DECEMBER 2014

Pritchard Patent Product Co. Limited

Profit and Loss Account

Year Ended 30 April 2019

	Note	2019 £	2018 £
Turnover	3	7,256,556	6,583,323
Cost of sales		<u>(5,645,171)</u>	<u>(5,206,944)</u>
Gross profit		1,611,385	1,376,379
Distribution costs		(218,745)	(210,114)
Administrative expenses		(816,927)	(828,176)
Other operating income	4	<u>46,366</u>	<u>37,237</u>
Operating profit	5	622,079	375,326
Other interest receivable and similar income	9	25,285	26,903
Interest payable and similar charges	10	<u>(205,000)</u>	<u>(211,000)</u>
Profit before tax		442,364	191,229
Taxation	11	<u>(54,775)</u>	<u>(56,705)</u>
Profit for the financial year		<u><u>387,589</u></u>	<u><u>134,524</u></u>

Pritchard Patent Product Co. Limited

Statement of Comprehensive Income

Year Ended 30 April 2019

	2019	2018
	£	£
Profit for the year	<u>387,589</u>	<u>134,524</u>
Remeasurement gain/(loss) on defined benefit pension schemes	482,000	1,204,000
Deferred tax on actuarial (loss)/gain recognised in pension	<u>(82,000)</u>	<u>(205,000)</u>
	<u>400,000</u>	<u>999,000</u>
Total comprehensive income for the year	<u><u>787,589</u></u>	<u><u>1,133,524</u></u>


Pritchard Patent Product Co. Limited

Balance Sheet

30 April 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	105,434	94,319
Tangible assets	13	3,393,299	3,131,400
Investment property	14	432,050	432,050
Investments	15	15,001	15,001
Other financial assets	16	100	100
		<u>3,945,884</u>	<u>3,672,870</u>
Current assets			
Stocks	17	2,307,192	2,344,034
Debtors	18	1,806,196	1,830,151
Cash at bank and in hand		3,114,835	2,698,953
		<u>7,228,223</u>	<u>6,873,138</u>
Creditors: Amounts falling due within one year	20	<u>(1,180,525)</u>	<u>(1,181,015)</u>
Net current assets		<u>6,047,698</u>	<u>5,692,123</u>
Total assets less current liabilities		9,993,582	9,364,993
Provisions for liabilities	22	<u>(141,000)</u>	<u>(113,000)</u>
Net assets excluding pension liability		9,852,582	9,251,993
Pension liability	23	<u>(7,097,000)</u>	<u>(7,284,000)</u>
Net assets		<u>2,755,582</u>	<u>1,967,993</u>
Capital and reserves			
Called up share capital	24	8,675	8,675
Profit and loss account		<u>2,746,907</u>	<u>1,959,318</u>
Total equity		<u>2,755,582</u>	<u>1,967,993</u>

Approved and authorised by the Board on 28/11/2019 and signed on its behalf by:


 Mr J H B Robarts-Arnold
 Director

Company Registration Number: 00408782

Pritchard Patent Product Co. Limited

Statement of Changes in Equity

Year Ended 30 April 2019

	Share capital £	Profit and loss account £	Total £
At 1 May 2018	8,675	1,959,318	1,967,993
Profit for the year	-	387,589	387,589
Other comprehensive income	-	400,000	400,000
Total comprehensive income	-	787,589	787,589
At 30 April 2019	8,675	2,746,907	2,755,582

	Share capital £	Profit and loss account £	Total £
At 1 May 2017	8,675	825,794	834,469
Profit for the year	-	134,524	134,524
Other comprehensive income	-	999,000	999,000
Total comprehensive income	-	1,133,524	1,133,524
At 30 April 2018	8,675	1,959,318	1,967,993

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office and principal place of business is:

Underleys

Beer

Seaton

Devon

EX12 3NA

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. There are no material departures from FRS 102.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Group accounts not prepared

The financial statements contain information about Pritchard Patent Product Co. Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Pritchard Patent Product Company (2001) Limited, a company incorporated in England & Wales. The registered office of Pritchard Patent Product Company (2001) Limited is: Underleys, Beer, Seaton, Devon, EX12 3NA.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

2 Accounting policies (continued)

Key judgements and sources of estimation uncertainty

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

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

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are the defined benefit pension scheme assumptions.

In accordance with FRS 102, as the group's representative company, the company is required to account for the group multi-employer defined benefit pension scheme. The value of the Group's defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases and an external actuary is used by management in determining the underlying assumptions and calculations. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the scheme, management consider the interest rates of corporate bonds in the sterling with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit. The mortality rate is based on publicly available mortality tables for the United Kingdom. Future pension increases are based on expected future inflation rates for the respective country. The carrying amount at the year end is £(7,097,000) (2018 - £(7,284,000)).

Tangible assets are carried at cost, less accumulated depreciation and any subsequent accumulated impairment loss. This requires an estimation in the depreciation rates used as well as assessment of the ongoing economic contribution of the assets to the company as to whether an indicator of impairment has occurred. The carrying amount at the year end is £3,393,299 (2018 - £3,131,400).

Revenue recognition

The revenue shown in the Profit and Loss Account represents the value of goods sold during the year, exclusive of Value Added Tax. Turnover is recognised when the goods are despatched to the customer.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

2 Accounting policies (continued)

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS102.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Intangible assets

Separately acquired intangible assets are included at cost and amortised over their useful economic life. Provision is made for any impairment.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised and classified as an asset on the balance sheet. Amortisation is charged on a straight line basis over its useful economic life up to a maximum of 10 years and is recognised in cost of sales in the profit and loss account. The 10 year maximum is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill on acquisition of businesses	5 - 10 years straight line
Website and software assets	3 years straight line
Website and software assets under construction	No amortisation charged

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of an asset, other than assets under construction, over the useful economic life of that asset, as follows:

Asset class	Depreciation method and rate
Freehold buildings	50 years straight line
Freehold land	No depreciation charged
Fixtures and fittings	3 - 10 years straight line
Motor vehicles	2 - 4 years straight line
Assets under construction	No depreciation charged
Other property, plant and equipment	3 - 12 years straight line

Once complete, assets under construction are transferred to the relevant asset class and depreciated beginning the period after completion.

Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Investments

Investments in subsidiaries are stated at historical cost less provision for any diminution in value.

Listed investments where fair value cannot be reliably measured are carried at cost less provision for any diminution in value.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

2 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials - purchase cost on a 'first in first out' basis;

Work in progress - direct costs plus attributable overheads based on normal level of activity;

Finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Defined benefit pension obligation

The company is part of a multi-employer defined benefit pension scheme and is the representative company within the group. In accordance with FRS 102 Section 28 'Employee Benefits', the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. Net finance costs are based on the net liability of the scheme times by the discount rate and these are included in the profit and loss account under 'interest payable and similar charges'.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet, the relating deferred tax is shown separately in the balance sheet. Any difference between the expected return on assets and that actually achieved is recognised in other comprehensive income along with the relating deferred tax charge/credit.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

2 Accounting policies (continued)

Financial instruments

Classification

The company holds the following financial instruments:

- Short term inter-company, trade and other debtors and creditors;
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS 102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

3 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Sale of goods	<u>7,256,556</u>	<u>6,583,323</u>

The analysis of the company's turnover for the year by market is as follows:

	2019 £	2018 £
UK	5,097,913	4,626,780
Europe	849,764	759,246
Rest of world	<u>1,308,879</u>	<u>1,197,297</u>
	<u>7,256,556</u>	<u>6,583,323</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019	2018
	£	£
Rental income	<u>46,366</u>	<u>37,237</u>

5 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£	£
Depreciation expense	572,927	559,318
Amortisation expense	34,399	18,371
Foreign exchange losses/(gains)	1,753	(2,632)
Operating lease expense	18,433	13,326
Loss/(profit) on disposal of tangible assets	<u>2,154</u>	<u>(2,406)</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£	£
Wages and salaries	2,657,078	2,566,738
Social security costs	244,522	237,630
Pension costs, defined contribution scheme	63,802	52,525
Pension costs, defined benefit scheme	<u>460,292</u>	<u>445,183</u>
	<u>3,425,694</u>	<u>3,302,076</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Production	82	74
Administration and support	35	35
Sales	4	4
Other departments	<u>10</u>	<u>10</u>
	<u>131</u>	<u>123</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration	<u>157,620</u>	<u>153,797</u>

During the year the number of directors who were receiving benefits was as follows:

	2019 No.	2018 No.
Accruing benefits under defined benefit pension scheme	<u>3</u>	<u>3</u>

8 Auditor's remuneration

	2019 £	2018 £
Audit of the financial statements	<u>13,970</u>	<u>15,830</u>

Included in the audit of the financial statements are fees relating to the audit of the parent company accounts totalling £3,500 (2018 - £3,500).

9 Other interest receivable and similar income

	2019 £	2018 £
Interest income on bank deposits	<u>25,285</u>	<u>26,903</u>

10 Interest payable and similar expenses

	2019 £	2018 £
Other finance costs - defined benefit pension scheme	<u>205,000</u>	<u>211,000</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

11 Taxation

Tax charged/(credited) in the profit and loss account

	2019 £	2018 £
Current taxation		
UK corporation tax	123,000	109,000
UK corporation tax adjustment to prior periods	(46,225)	(295)
	<u>76,775</u>	<u>108,705</u>
Deferred taxation		
Arising from origination and reversal of timing differences	28,000	2,000
Arising in respect of defined benefit pension scheme	(50,000)	(54,000)
Total deferred taxation	<u>(22,000)</u>	<u>(52,000)</u>
Tax expense in the income statement	<u>54,775</u>	<u>56,705</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>442,364</u>	<u>191,229</u>
Corporation tax at standard rate	84,049	36,334
Expenses not deductible for tax purposes	70,231	78,825
Adjustments to deferred tax in respect of changes in tax rates	(3,280)	(189)
Adjustments to current tax charge in respect of previous periods	680	(295)
Movement in deferred tax on defined benefit pension scheme	(50,000)	(54,000)
Research and development tax credit claimed	(46,905)	(3,970)
Total tax charge	<u>54,775</u>	<u>56,705</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

11 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2019		
Pension contributions creditor	2,000	-
Accelerated capital allowances	-	143,000
On defined benefit pension scheme liability	1,207,000	-
	<u>1,209,000</u>	<u>143,000</u>
2018		
Pension contributions creditor	1,000	-
Accelerated capital allowances	-	114,000
On defined benefit pension scheme liability	1,239,000	-
	<u>1,240,000</u>	<u>114,000</u>

12 Intangible assets

	Goodwill £	Website and software assets £	Website and software assets under construction £	Total £
Cost or valuation				
At 1 May 2018	275,870	467	23,193	299,530
Additions acquired separately	-	40,953	4,561	45,514
Transfers	-	27,754	(27,754)	-
At 30 April 2019	<u>275,870</u>	<u>69,174</u>	<u>-</u>	<u>345,044</u>
Amortisation				
At 1 May 2018	205,185	26	-	205,211
Amortisation charge	24,034	10,365	-	34,399
At 30 April 2019	<u>229,219</u>	<u>10,391</u>	<u>-</u>	<u>239,610</u>
Carrying amount				
At 30 April 2019	<u>46,651</u>	<u>58,783</u>	<u>-</u>	<u>105,434</u>
At 30 April 2018	<u>70,685</u>	<u>441</u>	<u>23,193</u>	<u>94,319</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

13 Tangible assets

	Freehold land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Assets under construction £	Other property, plant and equipment £	Total £
Cost or valuation						
At 1 May 2018	2,237,734	1,379,178	225,566	332,496	7,306,384	11,481,358
Additions	-	27,120	26,031	787,956	75,312	916,419
Disposals	-	(8,444)	(61,910)	(49,037)	(61,594)	(180,985)
Transfers	-	-	-	(585,606)	585,606	-
At 30 April 2019	<u>2,237,734</u>	<u>1,397,854</u>	<u>189,687</u>	<u>485,809</u>	<u>7,905,708</u>	<u>12,216,792</u>
Depreciation						
At 1 May 2018	872,851	1,027,777	141,759	-	6,307,571	8,349,958
Charge for the year	42,770	84,001	44,997	-	401,159	572,927
Eliminated on disposal	-	(633)	(57,569)	-	(41,190)	(99,392)
At 30 April 2019	<u>915,621</u>	<u>1,111,145</u>	<u>129,187</u>	<u>-</u>	<u>6,667,540</u>	<u>8,823,493</u>
Carrying amount						
At 30 April 2019	<u>1,322,113</u>	<u>286,709</u>	<u>60,500</u>	<u>485,809</u>	<u>1,238,168</u>	<u>3,393,299</u>
At 30 April 2018	<u>1,364,883</u>	<u>351,401</u>	<u>83,807</u>	<u>332,496</u>	<u>998,813</u>	<u>3,131,400</u>

14 Investment properties

	2019
	£
As at 1 May 2018 and 30 April 2019	<u><u>432,050</u></u>

The investment property was revalued on 30 April 2019 by the directors who are internal to the company. The basis of this valuation was that in the directors' opinion the value of the property had not changed since the property was purchased (September 2017).

There has been no valuation of investment property by an independent valuer.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

15 Investments in subsidiaries

Subsidiaries	£
Cost or valuation	
At 1 May 2018 and 30 April 2019	<u>15,001</u>
Carrying amount	
At 30 April 2019	<u>15,001</u>
At 30 April 2018	<u>15,001</u>

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
Ratio Plastics Models Limited	Underleys, Beer, Seaton, Devon, EX12 3NA	Ordinary and Preference	100%	100%
Sycon Limited	Underleys, Beer, Seaton, Devon, EX12 3NA	Ordinary	100%	100%

The principal activity of Ratio Plastics Models Limited is that of a dormant company.

The principal activity of Sycon Limited is that of a dormant company.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

16 Other financial assets

	Financial assets at cost less impairment £	Total £
Non-current financial assets		
Cost or valuation		
At 1 May 2018 and 30 April 2019	100	100
Carrying amount		
At 30 April 2019	100	100
At 30 April 2018	100	100

17 Stocks

	2019 £	2018 £
Raw materials and consumables	1,467,271	1,531,315
Work in progress	89,740	76,376
Finished goods and goods for resale	750,181	736,343
	<u>2,307,192</u>	<u>2,344,034</u>

The cost of stocks recognised as an expense in the year amounted to £1,502,407 (2018 - £1,316,381).

Impairment of stocks

The amount of impairment loss included in profit or loss is £17,157 (2018 - £4,270).

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

18 Debtors

	2019 £	2018 £
Trade debtors	435,078	422,227
Other debtors	1,232,418	1,267,286
Prepayments	138,700	140,638
	<u>1,806,196</u>	<u>1,830,151</u>
Less non-current portion	<u>(1,225,554)</u>	<u>(1,259,327)</u>
Total current trade and other debtors	<u>580,642</u>	<u>570,824</u>

Details of trade and other debtors

£1,225,554 (2018 - £1,259,327) of other debtors is classified as non current. £1,207,000 (2018 - £1,239,000) of this balance relates to deferred tax arising upon the defined benefit pension scheme.

19 Cash and cash equivalents

	2019 £	2018 £
Cash on hand	375	365
Cash at bank	<u>3,114,460</u>	<u>2,698,588</u>
	<u>3,114,835</u>	<u>2,698,953</u>

20 Creditors

	2019 £	2018 £
Due within one year		
Trade creditors	54,887	37,327
Amounts due to group undertakings	758,480	639,352
Corporation tax	13,802	109,000
Social security and other taxes	145,023	204,338
Outstanding defined contribution pension costs	13,325	9,679
Other creditors	129,400	113,856
Accrued expenses	<u>65,608</u>	<u>67,463</u>
	<u>1,180,525</u>	<u>1,181,015</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

21 Obligations under leases

Operating leases

The total of future minimum lease payments is as follows:

	2019	2018
	£	£
Not later than one year	11,275	10,380
Later than one year and not later than five years	<u>3,626</u>	<u>7,022</u>
	<u>14,901</u>	<u>17,402</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £18,433 (2018 - £13,326).

Operating leases - lessor

The total of future minimum lease payments is as follows:

	2019	2018
	£	£
Not later than one year	<u>7,600</u>	<u>3,750</u>

Total rents recognised as income in the period are £13,350 (2018 - £5,250).

22 Deferred tax

	Deferred tax
	£
At 1 May 2018	113,000
Increase in existing provisions	<u>28,000</u>
At 30 April 2019	<u>141,000</u>

23 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £63,802 (2018 - £52,525).

Contributions totalling £13,325 (2018 - £9,679) were payable to the scheme at the end of the year and are included in creditors.

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

23 Pension schemes (continued)

Defined benefit pension scheme

Pritchard Patent Product Company Limited Pension Fund

The company is the representative company of a group multi employer final salary defined benefit pension scheme in the UK called the Pritchard Patent Product Company Limited Pension Fund ("the Scheme").

During the year the company contributed 15.9% of Total Pensionable Salaries plus £11,700 each month to the Scheme, which is payable until 30 April 2037 (2018 - 13.3% of Total Pensionable Salaries plus £9,300 each month to the Scheme).

Contributions paid into the pension scheme during the year totalled £635,000 (2018 - £612,000) for the group. The contributions made by the company into the scheme were £460,292 (2018 - £443,419).

The date of the most recent comprehensive actuarial valuation was 01 May 2017. This has been updated to 30 April 2019 by a qualified independent actuary.

The total cost relating to the defined benefit scheme for the year recognised in the company profit and loss as an expense was £665,292 (2018 - £656,184).

In December 2018, the Court of Appeal ruled on the McCloud/Sargeant legal case that certain transitional arrangements relating to the 2015 reform of public sector pension schemes gave rise to unlawful discrimination. The UK Government has, subsequent to the financial year end, been unsuccessful in seeking permission to appeal this decision in the Supreme Court.

Given permission to appeal has been denied, the likely result of the decision is a request to compensate certain public sector pension scheme members. It is currently unknown as to the form that this compensation would take and whether the matter impacts any current employees or pensioners of the company, and therefore, quantification of the impact on the company's financial statements is not possible.

In light of this uncertainty in timing, probably of resolution, and inability to quantify any potential impact, only an estimate has been provided of £21,000, an additional liability, this has been recorded as a past service cost within these financial statements.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2019 £	2018 £
Fair value of scheme assets	13,999,000	13,185,000
Present value of defined benefit obligation	<u>(21,096,000)</u>	<u>(20,469,000)</u>
Defined benefit pension scheme deficit	<u>(7,097,000)</u>	<u>(7,284,000)</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

23 Pension schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019 £
Present value at start of year	20,469,000
Current service cost	529,000
Past service cost	21,000
Interest cost	577,000
Actuarial gains and losses - experience	(409,000)
Actuarial gains and losses - changes in assumptions	133,000
Benefits paid	(399,000)
Contributions by scheme participants	175,000
Present value at end of year	<u>21,096,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £
Fair value at start of year	13,185,000
Interest income	372,000
Return on plan assets	206,000
Employer contributions	460,000
Contributions by scheme participants	175,000
Benefits paid	(399,000)
Fair value at end of year	<u>13,999,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2019 %	2018 %
Cash and cash equivalents	3.00	1.60
Equity instruments	49.00	41.90
Corporate bonds	13.00	21.00
Property	6.00	2.20
Unitised With-Profit policy	-	13.50
Other	16.00	19.80
Gilts	13.00	-
	<u>100.00</u>	<u>100.00</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

23 Pension schemes (continued)

Return on scheme assets

	2019 £	2018 £
Return on scheme assets	<u>578,000</u>	<u>611,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2019 %	2018 %
Discount rate	2.60	2.80
RPI	3.50	3.30
Salary increase rate	2.75	2.75
CPI	2.60	2.50
Pension increases in deferment: Pensions in excess of GMP earned before 06.04.09	2.60	2.50
Pension increases in deferment: Pensions earned after 05.04.09	2.50	2.50
Pension increases in payment: GMP earned before and after 05.04.88	3.00	3.00
Pension increases in payment: Pensions in excess of GMP earned before 06.04.97	3.00	3.00
Pension increases in payment: Pensions earned between 05.04.97 and 30.05.13	3.80	3.40
Pension increases in payment: Pensions earned after 29.05.13	<u>3.40</u>	<u>3.10</u>

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	21	23
Current UK pensioners at retirement age - female	23	25
Future UK pensioners at retirement age - male	22	24
Future UK pensioners at retirement age - female	<u>25</u>	<u>26</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

24 Share capital

Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
8,675 Ordinary shares of £1 each	<u>8,675</u>	<u>8,675</u>	<u>8,675</u>	<u>8,675</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The ordinary shares each have one voting right and rank equally in the declaration of dividends and the winding up of the company.

25 Commitments

Other financial commitments

At the year end the company was committed to purchasing metals with a total cost of €188,353 (2018 - €139,154) and a machine with an outstanding cost of £nil (2018 - £18,667).

26 Related party transactions

The company has taken advantage of the exemption in FRS102 from disclosing transactions with other members of the group.

Transactions with directors

	At 1 May 2018 £	Advances to directors £	Repayments by director £	At 30 April 2019 £
2019				
A director				
Advances to the director are charged at an interest rate of 2%	<u>1,025</u>	<u>3</u>	<u>(1,028)</u>	<u>-</u>
	At 1 May 2017 £	Advances to directors £	Repayments by director £	At 30 April 2018 £
2018				
A director				
Advances to the director are charged at an interest rate of 2%	<u>4,819</u>	<u>56</u>	<u>(3,850)</u>	<u>1,025</u>

Pritchard Patent Product Co. Limited

Notes to the Financial Statements

Year Ended 30 April 2019

26 Related party transactions (continued)

Summary of transactions with other related parties

Connected company

During the year, the company made purchases of £4,920 (2018 - £2,235) in respect of website design services from a connected company. The transactions were undertaken on an arms length basis and were recharged to a group subsidiary. At the year end the company was owed £Nil (2018 - £Nil) by the connected company.

27 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is Pritchard Patent Product Company (2001) Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Pritchard Patent Product Company (2001) Limited. These financial statements are available upon request from Companies House.