

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**FOR**

**PAUL MURRAY PLC**



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FOR THE YEAR ENDED 31 DECEMBER 2018**

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**PAUL MURRAY PLC**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**DIRECTORS:**

P T Murray  
K J Murray  
S C Coatham  
M Cox  
T Eastwood  
N B Hayton  
C A Eastwood  
L Hadaway  
M J Murray  
G L Robertson

**SECRETARY:** S C Coatham

**REGISTERED OFFICE:**

Wide Lane  
Southampton  
Hampshire  
SO18 2FA

**REGISTERED NUMBER:** 01172728 (England and Wales)

**AUDITORS:**

Rothmans Audit LLP  
Chartered Accountants & Statutory Auditors  
Avebury House  
St Peter Street  
Winchester  
Hampshire  
SO23 8BN

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**REVIEW OF BUSINESS**

The principal activity of the company continued to be that of a supplier of brands of health, beauty and nursery products to the retail trade in the United Kingdom and Ireland.

In the year the company achieved sales of £17,011,771 (2017: £15,906,388) an increase of 6.9% on the previous year. This increase is due to a combination of factors, including sales to new customers and sales of new products. The total sales including agency sales were £26,544,809 (2017: £23,032,958) an increase of 15.2%.

The directors continue to adopt a going concern basis in preparing the financial statements.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The directors will continue to seek to expand the company's product range and customer base to ensure the company remains in a strong position to capitalise on its investment in the business operational framework, to take advantage of market improvements and to withstand any external economic pressures. The consequence of Great Britain leaving the European Union on the company's performance is still uncertain but the directors have already made suitable plans to deal with the possible implications and do not expect there to be a deleterious impact on the company. These plans will be updated as the situation becomes more certain.

**KEY PERFORMANCE INDICATORS**

The key financial highlights of the company's activities are:

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Turnover reported in the financial statements	17,011,771	15,906,388	14,365,694	13,990,324	16,325,712
Turnover including agency sales	26,544,809	23,032,958	21,463,518	18,437,451	17,300,023
Gross profit margin	38.8%	36.5%	39.1%	38.5%	30.9%
Profit before tax	1,261,881	987,844	1,139,705	1,147,089	947,357

**OTHER PERFORMANCE INDICATORS**

The company's ongoing strategies are to improve turnover and to protect and increase its share of the market whilst protecting margins. The directors consider that they have achieved this in 2018 and expect that the company will continue to grow in 2019 and future years.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for, and finance, the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks, applicable to the financial statements concerned, is shown below:

In respect of bank balances the liquidity risk is managed by maintaining a balance between long term loans and the use of overdrafts at floating rates of interest.

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

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**POLICY ON THE PAYMENT OF CREDITORS**

Payment is generally made by the company to its creditors in accordance with agreed terms of business. It is the policy of the company that all invoices issued by suppliers are paid within 30 days following the end of the month in which the invoices are received. In the case of certain overseas suppliers, the terms of business with the company are such that payments may be made at an earlier time. The total amount of trade creditors as at 31 December 2018 represents 26 days (2017: 17 days) as a proportion of the amount invoiced by suppliers during the year ended on that date.

**ON BEHALF OF THE BOARD:**



.....  
P T Murray - Director

Date: 5 June 2019

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their report with the financial statements of the company for the year ended 31 December 2018.

**DIVIDENDS**

During the year dividends of £1,019,823 (2017: £402,587) were paid by the company. Additionally, the company made a distribution in specie of £Nil (2017: £1,400,000).

**FUTURE DEVELOPMENTS**

The company has had marked success over the last few years in distributing UK branded goods to its customers. It is expected that there will be further developments in 2019. Turnover increased significantly in 2018 and the move at the end of 2017 of the whole undertaking to new purpose built premises enabled the company to distribute its product more efficiently. The company continues to increase the distribution of its own brands, which contribute significantly to the company's profitability, and to developing own label brands with customers.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

P T Murray  
K J Murray  
S C Coatham  
M Cox  
T Eastwood  
N B Hayton  
C A Eastwood  
M J Murray  
G L Robertson

Other changes in directors holding office are as follows:

L Hadaway - appointed 10 January 2018

**DISCLOSURE IN THE STRATEGIC REPORT**

In accordance with the Companies Act 2006, s414C(11), information in respect of business activities and risk are shown within the Strategic Report.

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

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

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

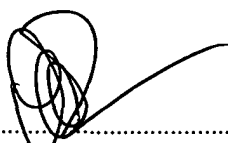
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Rothmans Audit LLP, will be proposed for appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
P T Murray - Director

Date: 5 June 2019

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
PAUL MURRAY PLC**

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**Opinion**

We have audited the financial statements of Paul Murray Plc (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, 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 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

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



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
PAUL MURRAY PLC**

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**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 or the Report of the Directors.

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 five, 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 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.

**Auditors' 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 a Report of the Auditors 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**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 a Report of the Auditors 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.

Susan Sullivan FCA (Senior Statutory Auditor)  
for and on behalf of Rothmans Audit LLP  
Chartered Accountants & Statutory Auditors  
Avebury House  
St Peter Street  
Winchester  
Hampshire  
SO23 8BN

*S A Sullivan FCA*

Date: .....

*12<sup>th</sup> June 2019*

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

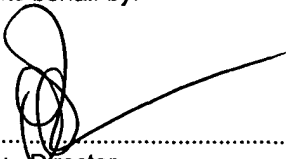
	Notes	2018		2017	
		£	£	£	£
<b>TURNOVER</b>	3		17,011,771		15,906,388
Cost of sales			10,411,080		10,107,933
<b>GROSS PROFIT</b>			6,600,691		5,798,455
Distribution costs		3,252,441		3,095,427	
Administrative expenses		2,159,192		1,805,149	
			5,411,633		4,900,576
			1,189,058		897,879
Other operating income			67,072		81,388
<b>OPERATING PROFIT</b>	5		1,256,130		979,267
Interest receivable and similar income	7		13,731		14,967
			1,269,861		994,234
Interest payable and similar expenses	8		7,980		6,391
<b>PROFIT BEFORE TAXATION</b>			1,261,881		987,843
Tax on profit	9		230,397		205,262
<b>PROFIT FOR THE FINANCIAL YEAR</b>			1,031,484		782,581
<b>OTHER COMPREHENSIVE INCOME</b>			-		-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			1,031,484		782,581

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2018

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Intangible assets	11	-	30,700
Tangible assets	12	676,227	737,632
		<u>676,227</u>	<u>768,332</u>
<b>CURRENT ASSETS</b>			
Stocks	13	4,150,332	3,059,547
Debtors	14	3,207,164	3,537,605
Cash at bank		611,619	122,845
		<u>7,969,115</u>	<u>6,719,997</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	3,941,412	2,800,082
<b>NET CURRENT ASSETS</b>		<u>4,027,703</u>	<u>3,919,915</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,703,930</u>	<u>4,688,247</u>
<b>PROVISIONS FOR LIABILITIES</b>	20	21,436	17,414
<b>NET ASSETS</b>		<u><u>4,682,494</u></u>	<u><u>4,670,833</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	100,000	100,000
Retained earnings	22	4,582,494	4,570,833
<b>SHAREHOLDERS' FUNDS</b>		<u><u>4,682,494</u></u>	<u><u>4,670,833</u></u>

The financial statements were approved by the Board of Directors on 5 June 2019 and were signed on its behalf by:

  
P T Murray - Director

The notes form part of these financial statements

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

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
<b>Balance at 1 January 2017</b>	100,000	4,919,629	671,210	5,690,839
<b>Changes in equity</b>				
Transfer	-	671,210	(671,210)	-
Dividends	-	(1,802,587)	-	(1,802,587)
Total comprehensive income	-	782,581	-	782,581
<b>Balance at 31 December 2017</b>	<u>100,000</u>	<u>4,570,833</u>	<u>-</u>	<u>4,670,833</u>
<b>Changes in equity</b>				
Dividends	-	(1,019,823)	-	(1,019,823)
Total comprehensive income	-	1,031,484	-	1,031,484
<b>Balance at 31 December 2018</b>	<u>100,000</u>	<u>4,582,494</u>	<u>-</u>	<u>4,682,494</u>

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,569,143	794,896
Interest paid		(7,980)	(6,391)
Tax paid		(322,968)	(236,041)
Net cash from operating activities		<u>1,238,195</u>	<u>552,464</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(92,953)	(658,838)
Sale of tangible fixed assets		22,441	16,084
Loans to related companies		(11,019)	(400,281)
Loans repaid by related companies		380,000	-
Interest received		13,731	14,967
Net cash from investing activities		<u>312,200</u>	<u>(1,028,068)</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(1,019,823)	(402,587)
Net cash from financing activities		<u>(1,019,823)</u>	<u>(402,587)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>530,572</u>	<u>(878,191)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	(528,454)	349,737
<b>Cash and cash equivalents at end of year</b>	2	<u><u>2,118</u></u>	<u><u>(528,454)</u></u>

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. RECONCILIATION OF PROFIT FOR THE FINANCIAL YEAR TO CASH GENERATED FROM OPERATIONS**

	2018 £	2017 £
Profit for the financial year	1,031,484	782,581
Depreciation charges	159,548	178,278
Loss on disposal of fixed assets	3,073	25,664
Finance costs	7,980	6,391
Finance income	(13,731)	(14,967)
Taxation	230,397	205,262
	<u>1,418,751</u>	<u>1,183,209</u>
(Increase)/decrease in stocks	(1,090,785)	200,242
Increase in trade and other debtors	(38,540)	(636,843)
Increase in trade and other creditors	1,279,717	48,288
	<u>1,569,143</u>	<u>794,896</u>
<b>Cash generated from operations</b>	<u>1,569,143</u>	<u>794,896</u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2018**

	31.12.18 £	1.1.18 £
Cash and cash equivalents	611,619	122,845
Bank overdrafts	(609,501)	(651,299)
	<u>2,118</u>	<u>(528,454)</u>

**Year ended 31 December 2017**

	31.12.17 £	1.1.17 £
Cash and cash equivalents	122,845	349,737
Bank overdrafts	(651,299)	-
	<u>(528,454)</u>	<u>349,737</u>

The notes form part of these financial statements

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

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**1. STATUTORY INFORMATION**

Paul Murray Plc is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland" ("FRS102") and the requirements of the Companies Act 2006 and under the historical cost convention and in accordance with applicable accounting standards.

**Going concern**

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

**Significant judgements and estimates**

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 accounting policies requiring the most judgement within the financial statements are those relating to stock valuation and accounting for sales and purchases under agency agreements.

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 where the revision affects only that period, or in the period of revision and future periods where the revision affects both the current and future periods.

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

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2. ACCOUNTING POLICIES - continued

**Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers for the sale of non-pharmaceutical products, surgical goods, cosmetics, fragrances, and toiletries in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

In 2014 the company entered into an agreement with a supplier to act as their agent in the supply of their goods. Commission is receivable in respect of sales made and recognised within turnover shown in the profit and loss account. Revenue is recognised at the point of dispatch of the product.

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

**Goodwill**

Goodwill is capitalised and written off evenly over 20 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

As at 31 December 2018 Goodwill has been impaired to its recoverable value of £Nil as the company has ceased selling the product line to which this related.

**Tangible fixed assets**

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

Tangible fixed assets are stated at cost, being purchase price together with any incidental costs of acquisition, less accumulated depreciation. Depreciation is calculated so as to write off the cost or revaluation of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Tenants improvements	straight line over 15 years
Fixtures and fittings	25% reducing balance and straight line over 3 or 15 years
Equipment	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.



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

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2. **ACCOUNTING POLICIES - continued**

**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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis and provision is made for obsolete and slow moving items.

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

**Cash and cash equivalents**

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

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

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2. **ACCOUNTING POLICIES - continued**

**Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' 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 amount 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.

**Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

**Other financial assets**

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

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

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

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit or 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.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

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2. **ACCOUNTING POLICIES - continued**

**Classification of financial liabilities**

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

**Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank borrowings, loans from fellow group companies and preference shares that are classified as debt, 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.

**Other financial liabilities**

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

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

**Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

**Equity Instruments**

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

**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 the 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. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES - continued****Deferred tax**

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 assessment 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.

**Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**Hire purchase and leasing commitments**

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

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year in accordance with the rules of the fund. The assets of the scheme are held separately from these of the company in an independently administered fund.

**Employee benefits**

The costs of 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.

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

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2018 £	2017 £
Sale of goods	15,120,101	14,301,399
Commission receipts	1,891,670	1,604,989
	<u>17,011,771</u>	<u>15,906,388</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	2018 £	2017 £
United Kingdom	16,311,756	15,159,655
Europe	668,154	687,308
Rest of the World	31,861	59,425
	<u>17,011,771</u>	<u>15,906,388</u>

**4. EMPLOYEES AND DIRECTORS**

	2018 £	2017 £
Wages and salaries	2,794,917	2,608,162
Social security costs	332,615	298,882
Other pension costs	88,396	69,894
	<u>3,215,928</u>	<u>2,976,938</u>

The average number of employees during the year was as follows:

	2018	2017
Operations	58	61
Administrative	12	12
Directors	9	7
	<u>79</u>	<u>80</u>

	2018 £	2017 £
Directors' remuneration for qualifying services	747,420	642,503
Directors' pension contributions to money purchase schemes	20,491	13,101

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
Money purchase schemes	<u>6</u>	<u>4</u>

Information regarding the highest paid director is as follows:

	2018 £	2017 £
Director's remuneration for qualifying services	150,010	171,928
Director's pension contributions to money purchase schemes	<u>6,075</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2018	2017
	£	£
Other operating leases	523,314	333,168
Depreciation - owned assets	128,844	139,009
Loss on disposal of fixed assets	3,073	25,664
Goodwill amortisation	12,958	15,552
Foreign exchange differences	(67,072)	(81,388)
Cost of stocks recognised as an expense	9,251,577	8,948,734
Vehicle leasing	156,541	155,448
	<u>          </u>	<u>          </u>

**6. AUDITORS' REMUNERATION**

	2018	2017
	£	£
Fees payable to the company's auditors and their associates for the audit of the company's financial statements	21,167	18,000
Auditors' remuneration for non audit work	4,500	5,500
	<u>          </u>	<u>          </u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018	2017
	£	£
Other interest income	13,731	14,967
	<u>          </u>	<u>          </u>

All interest receivable relates to financial assets measured at amortised cost.

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Bank loan interest	7,980	6,391
	<u>          </u>	<u>          </u>

All interest payable relates to bank loans and overdrafts, which are financial liabilities measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**9. TAXATION****Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2018 £	2017 £
Current tax:		
UK corporation tax	226,375	182,694
Corporation tax - prior year	-	(7,409)
Total current tax	226,375	175,285
Deferred tax	4,022	29,977
Tax on profit	230,397	205,262

UK corporation tax has been charged at 19%.

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before tax	1,261,881	987,843
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	239,757	190,160
Effects of:		
Expenses not deductible for tax purposes	8,454	31,282
Income not taxable for tax purposes	-	(8,500)
Adjustments to tax charge in respect of previous periods	-	(310)
Adjust closing deferred tax to average rate	-	(230)
Adjust opening deferred tax to average rate	-	(165)
Utilisation of Group Losses	(17,814)	(6,975)
Total tax charge	230,397	205,262

The main rate of corporation tax in the UK decreased from 20% to 19% with effect from 1 April 2017 hence the standard rate of corporation tax in FY2018 is lower than that in FY2017.

**10. DIVIDENDS**

During the year dividends of £1,019,823 (2017: £402,587) were paid by the company. Additionally, the company made a distribution in specie of £Nil (2017: £1,400,000).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. INTANGIBLE FIXED ASSETS**

	Goodwill £
<b>COST</b>	
At 1 January 2018	287,291
Disposals	(269,549)
Impairments	(17,742)
	<u>          </u>
At 31 December 2018	<u>          </u>
<b>AMORTISATION</b>	
At 1 January 2018	256,591
Amortisation for year	12,958
Eliminated on disposal	(269,549)
	<u>          </u>
At 31 December 2018	<u>          </u>
<b>NET BOOK VALUE</b>	
At 31 December 2018	<u>          </u>
	<u>          </u>
At 31 December 2017	<u>          </u>

**12. TANGIBLE FIXED ASSETS**

	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>					
At 1 January 2018	271,275	498,373	183,811	243,206	1,196,665
Additions	19,113	49,715	-	24,125	92,953
Disposals	-	(28,900)	(98,570)	-	(127,470)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2018	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>DEPRECIATION</b>					
At 1 January 2018	-	164,411	128,123	166,499	459,033
Charge for year	18,659	67,951	11,941	30,293	128,844
Eliminated on disposal	-	(24,501)	(77,455)	-	(101,956)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2018	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET BOOK VALUE</b>					
At 31 December 2018	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2017	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**13. STOCKS**

	2018 £	2017 £
Finished goods	<u>          </u>	<u>          </u>

The total value of stock written off in the year is £48,834 (2017: £60,752).

There is no material difference between the replacement cost of stocks and the amounts stated above.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Trade debtors	2,674,457	2,499,754
Amounts owed by group undertakings	31,300	119,806
Amounts owed by participating interests	-	280,475
Other debtors	1	404,511
Prepayments and accrued income	501,406	233,059
	<u>3,207,164</u>	<u>3,537,605</u>

The total value of debtors written off in the year is £32,005 (2017: £28,930).

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Bank loans and overdrafts (see note 16)	609,501	651,299
Trade creditors	1,780,859	1,021,640
Corporation tax	86,101	182,694
Social security and other taxes	106,291	92,390
VAT	233,701	138,928
Accruals and deferred income	1,124,959	713,131
	<u>3,941,412</u>	<u>2,800,082</u>

**16. LOANS**

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>609,501</u>	<u>651,299</u>

**17. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018	2017
	£	£
Within one year	651,554	731,709
Between one and five years	2,029,156	2,021,057
In more than five years	3,831,207	4,273,065
	<u>6,511,917</u>	<u>7,025,831</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. SECURED DEBTS**

The following secured debts are included within creditors:

	2018 £	2017 £
Bank overdrafts	<u>609,501</u>	<u>651,299</u>

The bank overdrafts of Paul Murray PLC and its parent company, Metro Gold Limited, are secured by a cross-guarantee and debenture provided jointly by Paul Murray PLC and Metro Gold Limited which includes a fixed and floating charge over all of the assets of each company. As at 31 December 2018 Metro Gold Limited had no secured debts in respect of this guarantee.

**19. FINANCIAL INSTRUMENTS**

The financial statements include the following financial instruments:

Financial Assets measured at amortised cost

	2018 £	2017 £
Trade Debtors	2,674,457	2,499,754
Cash at Bank & Hand	611,619	122,845
Loan to Albemarle Properties	-	404,511
Loans to Group Undertakings	31,300	400,281
	<u>3,317,376</u>	<u>3,427,391</u>

Financial Liabilities measured at amortised cost

	2018 £	2017 £
Bank Loans and Overdrafts	609,501	651,299
Trade Creditors	1,780,859	1,021,640
	<u>2,390,360</u>	<u>1,672,939</u>

**20. PROVISIONS FOR LIABILITIES**

	2018 £	2017 £
Deferred tax	<u>21,436</u>	<u>17,414</u>
		Deferred tax
		£
Balance at 1 January 2018		17,414
Provided during year		4,022
Balance at 31 December 2018		<u>21,436</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**20. PROVISIONS FOR LIABILITIES - continued**

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 (including offsets) for financial reporting purposes.

	2018 £	2017 £
Accelerated capital allowances	38,272	30,965
Short-term timing differences	(16,836)	(13,551)
	<u>21,436</u>	<u>17,414</u>

**21. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
90,000	Ordinary A	£1	90,000	90,000
10,000	Ordinary B	£1	10,000	10,000
			<u>100,000</u>	<u>100,000</u>

Each share is entitled to one vote in any circumstance. All classes of shares rank equally on a winding up of the company. Dividends on each class of share are voted separately. If any share of the A or B class is sold or ownership transferred, the share becomes a C ordinary share.

**22. RESERVES**

	Retained earnings £
At 1 January 2018	4,570,833
Profit for the year	1,031,484
Dividends	(1,019,823)
At 31 December 2018	<u>4,582,494</u>

**23. PENSION COMMITMENTS**

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.

The charge to profit or loss in respect of defined contribution schemes was £88,396 (2017: £69,894).

Contributions of £15,411 (2017: £7,068) were outstanding at the year end and are included within accruals.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**24. ULTIMATE PARENT COMPANY**

Metro Gold Limited is regarded by the directors as being the company's ultimate parent company.

Metro Gold Limited is the parent of the largest and smallest group for which group accounts are drawn up and of which the company is a member. Copies of the Group accounts can be obtained from Paul Murray PLC, Wide Lane, Southampton, England, SO18 2FA.

**25. TRANSACTIONS WITH DIRECTORS**

Dividends paid to the company's directors amounted to £Nil (2017: £261,796).

**26. RELATED PARTY DISCLOSURES****Entities with control, joint control or significant influence over the entity**

	2018	2017
	£	£
Amount due from Metro Gold Limited	30,465	119,446

Metro Gold Limited is the parent company of Paul Murray PLC. During the year Paul Murray PLC paid expenses on behalf of Metro Gold Limited which totalled £11,019 and was repaid £100,000 by Metro Gold Limited. The outstanding balance at the year end was £30,465 (2017: £119,446) and is included in amounts owed by group undertakings. This loan is interest free and repayable on demand.

During the year dividends of £1,019,823 (2017: £140,791) were paid to Metro Gold Limited.

**Other related parties**

	2018	2017
	£	£
Amount due from Albemarle Properties Development Limited	-	404,511
Amount due from Newbarn Compton Limited	475	280,475
Amount due from Miner's International Limited	360	360

Albemarle Properties Development Limited is a company under the control of the directors P Murray and M Murray. During the year advances of £Nil (2017: £25,000) were made to Albemarle Properties Development Limited and repayments of £404,511 (2017: £Nil) were received from Albemarle Properties Development Limited. Interest of £2,420 (2017: £14,967) was due in respect of these loans. The outstanding loan balance at the year end was £Nil (2017: £404,511) and is included in other debtors.

Newbarn Compton Limited holds 10% of the issued share capital in Paul Murray PLC. During the year advances of £Nil (2017: £280,475) were made to Newbarn Compton Limited and repayments of £280,000 (2017: £Nil) were received from Newbarn Compton Limited. The outstanding loan balance at the year end was £475 (2017: £280,475) and is included in amounts owed by group undertakings. This balance is interest free and repayable on demand. During the year dividends of £Nil (2017: £1,400,000) were paid to Newbarn Compton Limited.

Miner's International Limited is a Group company under common control. The outstanding balance at the year end was £360 (2017: £360) and is included in amounts owed by group undertakings. This balance is interest free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**26. RELATED PARTY DISCLOSURES - continued**

The remuneration of key management personnel, who are also directors, is as follows:

	2018 £	2017 £
Aggregate compensation	<u>836,340</u>	<u>719,516</u>

**27. POST BALANCE SHEET EVENTS**

Since the year-end the company has declared dividends of £537,845.

**28. ULTIMATE CONTROLLING PARTY**

The company is ultimately controlled by M J Murray, C A Eastwood and G L Robertson, directors of the company, by virtue of their majority shareholdings in the parent company, Metro Gold Limited.