

Registered number: 02555629

## **QUALITEX SUPPLIES LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**QUALITEX SUPPLIES LIMITED**

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**COMPANY INFORMATION**

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Directors	D E Andrews G D Andrews S D Andrews O E Andrews- Allen (appointed 10 February 2020)
Registered number	02555629
Registered office	Unit 3B Deacon Trading Estate Aylesford Kent ME20 7SP
Independent auditors	Haysmacintyre LLP Statutory Auditors 10 Queen Street Place London EC4R 1AG

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Introduction**

The directors present their Strategic Report and Directors Report for the year ended 31 December 2019.

**Business review**

As the company enters its 30th year of trading the Directors are pleased to report that sales continue to grow across both our Southern and Northern depots for the sixth consecutive year, with a healthy margin achieved from our own exclusive QX Bathroom products, allowing more investment into strengthening resources, to improve customer service and maintain consistent service levels.

Sales and development of the Northern region saw sales increase in this region by 14% and moving closer to the 30% share of total business, targeted within the 3-year plan.

Strong sales were achieved across the UK for most of our good, better, best brands, with the Alpha branding in a separate brochure generating significant growth for our core Genesis ranges, and Ascent ranges making good progress within the bathroom showrooms utilising our 384-page company bathroom brand brochure.

Marketing spend was increased during the year to launch our new higher end bathroom ranges at the Grand Designs exhibition in London, which was showcased with the introduction of a high end QX Grand Home Bathrooms brochure, which was very well received by new display centres and potential trade and retail buyers.

Grand Home Bathroom ranges will be developed further in quarter one of 2020, with the launch of an exciting new range of upmarket sanitaryware from Italy to provide a strong quality and design message to the QX signature collection

We continued to manage and control the risk of currency fluctuations during the year, with careful forward ordering of currency, and are confident that with the future of Brexit moving forward with less uncertainty, that our prices will become more stable during 2020.

The Directors are confident that consistent sales growth is going to be maintained in future years and that annual sales across our two depots will exceed £20 million by 2022.

With this in mind, the Directors have agreed a number of investments in the business for 2020 to include the following:

- The introduction of a new computer system including software upgrade.
- Additional racking and fork lift trucks across both depots.
- The introduction of our complete QX Bathroom Product range into the two market-leading CAD bathroom design system to support our customers.
- The launch of additional new products within our new Grand Home Bathrooms brochure.

The Directors consider the company's position at the year end to be very exciting and optimistic for significant growth in sales and profitability for 2020 and beyond.

**Principal risks and uncertainties**

The company recognises the risks it faces in connection with its business operation and monitors various key performance indicators as part of its monthly accounting and management reporting procedures. The Directors continue to review and monitor management controls put in place to mitigate the risks associated to credit and debtor controls, and foreign exchange risks - as above the company has introduced systems to manage these risks. Of equal significance are our stock control and cashflow management systems which allow management to control stock levels and forecast cash flow in order to meet the needs of our customers and the business.

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Financial key performance indicators**

With profitability and cash flows having further improved during the year, the Company was able to improve forward stock purchases. Debtor days at the year end decreased to 35 days at 31 December 2019 (2018 41 days).

This report was approved by the board on 6 March 2020 and signed on its behalf.

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**D E Andrews**  
Director

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**Principal activity**

The principal activity of Qualitex Supplies Limited is the distribution of shower and bathroom equipment which is sold via builder's merchants and bathrooms studios throughout the United Kingdom.

**Results and dividends**

The profit for the year, after taxation, amounted to £325,137 (2018 - £199,706).

During the year the company did not pay a dividend. The directors do not recommend a final dividend at the year end.

**Directors**

The Directors who served during the year were:

D E Andrews  
G D Andrews  
S D Andrews

**Engagement with employees**

Enter text here - user input

**Matters covered in the strategic report**

The company's Business Review, Principal Risks and Key Performance Indicators are included in the Strategic Report.

**Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6 March 2020 and signed on its behalf.

**D E Andrews**  
Director

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF QUALITEX SUPPLIES LIMITED**

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**Opinion**

We have audited the financial statements of Qualitex Supplies Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 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 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 United Kingdom, including the Financial Reporting Council'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 Auditors' 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.

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF QUALITEX SUPPLIES LIMITED (CONTINUED)

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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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Jeremy Beard (Senior Statutory Auditor)  
for and on behalf of  
**Haysmacintyre LLP**  
Statutory Auditors  
10 Queen Street Place  
London  
EC4R 1AG

6 March 2020

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	15,147,050	13,960,973
Cost of sales		(9,267,992)	(8,590,734)
<b>Gross profit</b>		<b>5,879,058</b>	<b>5,370,239</b>
Distribution costs		(1,891,311)	(1,945,320)
Administrative expenses		(3,511,101)	(3,183,164)
<b>Operating profit</b>	5	<b>476,646</b>	<b>241,755</b>
Interest receivable and similar income	8	98	55
Changes in fair value of derivative financial instruments		(31,493)	52,404
Interest payable and expenses	9	(44,105)	(35,205)
<b>Profit before tax</b>		<b>401,146</b>	<b>259,009</b>
Tax on profit	10	(76,009)	(59,303)
<b>Profit for the financial year</b>		<b>325,137</b>	<b>199,706</b>

There was no other comprehensive income for 2019 (2018:ENIL).

The notes on pages 13 to 24 form part of these financial statements.

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	245,086	193,280
		<u>245,086</u>	<u>193,280</u>
<b>Current assets</b>			
Stocks	13	2,462,138	2,295,541
Debtors: amounts falling due after more than one year	14	18,028	-
Debtors: amounts falling due within one year	14	1,626,389	1,684,148
Cash at bank and in hand	15	160,406	148,455
		<u>4,266,961</u>	<u>4,128,144</u>
Creditors: amounts falling due within one year	16	(2,500,713)	(2,619,107)
<b>Net current assets</b>		<u>1,766,248</u>	<u>1,509,037</u>
<b>Total assets less current liabilities</b>		<u>2,011,334</u>	<u>1,702,317</u>
Creditors: amounts falling due after more than one year	17	(88,153)	(104,273)
<b>Net assets</b>		<u><u>1,923,181</u></u>	<u><u>1,598,044</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	50,000	50,000
Profit and loss account	22	1,873,181	1,548,044
		<u><u>1,923,181</u></u>	<u><u>1,598,044</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 March 2020.

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**D E Andrews**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2018</b>	50,000	1,498,338	1,548,338
<b>Comprehensive income for the year</b>			
Profit for the year	-	199,706	199,706
<b>Total comprehensive income for the year</b>	-	199,706	199,706
Dividends paid	-	(150,000)	(150,000)
<b>At 1 January 2019</b>	50,000	1,548,044	1,598,044
<b>Comprehensive income for the year</b>			
Profit for the year	-	325,137	325,137
<b>Total comprehensive income for the year</b>	-	325,137	325,137
<b>At 31 December 2019</b>	50,000	1,873,181	1,923,181

The notes on pages 13 to 24 form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	325,137	199,706
<b>Adjustments for:</b>		
Depreciation of tangible assets	95,591	97,406
Loss on disposal of tangible assets	(6,109)	942
Interest paid	44,105	35,205
Interest received	(98)	(55)
Taxation charge	76,009	59,303
(Increase) in stocks	(166,597)	(260,449)
Decrease in debtors	57,759	173,075
(Decrease) in creditors	(461,011)	(111,173)
Net fair value losses/(gains) recognised in P&L	31,493	(52,404)
Corporation tax (paid)	(60,024)	(71,673)
<b>Net cash generated from operating activities</b>	<b>(63,745)</b>	<b>69,883</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(151,788)	(66,380)
Sale of tangible fixed assets	10,500	(942)
Interest received	98	55
HP interest paid	(6,031)	(5,947)
<b>Net cash from investing activities</b>	<b>(147,221)</b>	<b>(73,214)</b>
<b>Cash flows from financing activities</b>		
Repayment of/new finance leases	49,080	(11,870)
Movements on invoice discounting	211,911	193,106
Dividends paid	-	(150,000)
Interest paid	(38,074)	(29,258)
<b>Net cash used in financing activities</b>	<b>222,917</b>	<b>1,978</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,951</b>	<b>(1,353)</b>
Cash and cash equivalents at beginning of year	148,455	149,808
<b>Cash and cash equivalents at the end of year</b>	<b>160,406</b>	<b>148,455</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		

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**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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	2019 £	2018 £
Cash at bank and in hand	160,406	148,455
	<u>160,406</u>	<u>148,455</u>

The notes on pages 13 to 24 form part of these financial statements.

**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	New finance leases £	At 31 December 2019 £
Cash at bank and in hand	148,455	12,777	-	161,232
Bank overdrafts	-	(826)	-	(826)
Overdraft facility	(778,386)	(211,911)	-	(990,297)
Finance leases	(97,712)	64,049	(113,130)	(146,793)
	<u>(727,643)</u>	<u>(135,911)</u>	<u>(113,130)</u>	<u>(976,684)</u>

The notes on pages 13 to 24 form part of these financial statements.

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

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**1. General information**

The company is a private limited company, incorporated in the United Kingdom, registered office Unit 3B, Deacon Trading estate, Aylesford, Kent, ME20 7SP with the registered number 02555629. The principal activity of Qualitex Supplies Limited is the distribution of shower and bathroom equipment which is sold via builder's merchants and bathrooms studios throughout the United Kingdom.

**2. Accounting policies****2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Revenue**

Revenue relates to the sale of bathroom products. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, usually on delivery of products to the company's customers. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from the sale of products is recognised when all of the following conditions are satisfied:

- 1) The Company has transferred the significant risks and rewards of ownership to the buyer;
- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the Company will receive the consideration due under the transaction; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**2.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.



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

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**2. Accounting policies (continued)****2.3 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	10%	Over the life of the lease
Motor vehicles	-	20%	Straight line
Fixtures and fittings	-	20%	Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.4 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Cost includes direct costs of delivery to the company.

**2.5 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**2.6 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The company does not currently hold cash equivalents.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**2.7 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties.

**2.8 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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

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**2. Accounting policies (continued)**

**2.9 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

**2.10 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**2.11 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.12 Leased assets: the Company as lessee**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2.13 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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

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**2. Accounting policies (continued)**

**2.14 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

**Depreciation and residual values**

Tangible fixed assets are depreciated over the course of their useful economic lives to their residual balances. The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

**Trade Debtors**

The Directors have reviewed trade receivables at the end of the year, to consider the risk that these debts may not be recoverable and hence could be impaired. This impairment review is used to calculate the level of provisioning against trade receivables. The impairment review is based on the Director's best estimates of the likelihood of debt recovery and considers factors such as the company's relationship with the customer, the age of the debt, credit rating data and experience of recent transactions with the customer.

**Stock**

Stock is valued at the lower of cost and net realisable value, which requires management to consider the carrying value of slow moving or damaged stock. In making this assessment and when calculating the value of any impairment provisions, the Directors must consider the likelihood that particular stock lines can be sold and must assess the future selling prices of stock lines. These assessments are based on the Directors judgements of future sales levels and prices which are both subject to uncertainty

**4. Turnover**

All turnover arose within the United Kingdom.

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

**5. Operating profit**

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	(21,172)	(89,428)
Other operating lease rentals	<u>492,754</u>	<u>460,967</u>

**6. Employees**

Staff costs, including Directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	2,591,209	2,461,899
Social security costs	276,014	262,583
Cost of defined contribution scheme	35,599	24,032
	<u>2,902,822</u>	<u>2,748,514</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £35,599 (2018: £24,032).

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	2018 No.
	<u>76</u>	<u>79</u>

**7. Directors' remuneration**

	2019 £	2018 £
Directors' emoluments	748,552	580,521
Company contributions to defined contribution pension schemes	3,565	2,222
	<u>752,117</u>	<u>582,743</u>

During the year retirement benefits were accruing to 3 Directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £565,383 (2018 - £407,857).

Directors remuneration is considered to represent the key management personnel compensation in total.

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

8. Interest receivable

	2019 £	2018 £
Other interest receivable	98	55
	<u>98</u>	<u>55</u>

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	38,074	29,258
Finance leases and hire purchase contracts	6,031	5,947
	<u>44,105</u>	<u>35,205</u>

10. Taxation

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	94,037	60,024
Adjustments in respect of previous periods	-	(721)
Origination and reversal of timing differences	(18,028)	-
	<u>76,009</u>	<u>59,303</u>
<b>Taxation on profit on ordinary activities</b>		

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

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>401,146</u>	<u>259,009</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	76,218	49,212
Effects of:		
Expenses not deductible for tax purposes	12,085	13,551
Capital allowances for year in excess of depreciation	422	759
Adjust closing deferred tax to average rate of 19%	559	-
Adjustments to tax charge in respect of prior periods	-	(721)
Other differences leading to an increase/(decrease) in the tax charge	4,753	(3,498)
Deferred tax	(18,028)	-
<b>Total tax charge for the year</b>	<u><b>76,009</b></u>	<u><b>59,303</b></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

	2019 £	2018 £
Dividends paid	<u>-</u>	<u>150,000</u>

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

12. Tangible fixed assets

	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	47,800	307,818	387,171	742,789
Additions	5,900	135,482	10,406	151,788
Disposals	-	(68,406)	-	(68,406)
At 31 December 2019	53,700	374,894	397,577	826,171
<b>Depreciation</b>				
At 1 January 2019	36,848	160,432	352,229	549,509
Charge for the year on owned assets	9,140	63,835	22,616	95,591
Disposals	-	(64,015)	-	(64,015)
At 31 December 2019	45,988	160,252	374,845	581,085
<b>Net book value</b>				
At 31 December 2019	7,712	214,642	22,732	245,086
At 31 December 2018	10,952	147,386	34,942	193,280

Motor vehicles with a net book value of £146,793 (2018: £144,041) were held under hire purchase contracts. Depreciation of £61,254 (2018: £55,704) was charged on the assets.

13. Stocks

	2019 £	2018 £
Finished goods and goods for resale	2,462,138	2,295,542
	<u>2,462,138</u>	<u>2,295,542</u>

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

14. Debtors

	2019 £	2018 £
<b>Due after more than one year</b>		
Deferred tax asset	18,028	-
	<u>18,028</u>	<u>-</u>
<b>Due within one year</b>		
Trade debtors	1,437,355	1,552,266
Other debtors	200	2,164
Prepayments and accrued income	188,834	129,718
	<u>1,626,389</u>	<u>1,684,148</u>

15. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	160,406	148,455
	<u>160,406</u>	<u>148,455</u>

16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	928,088	1,224,011
Corporation tax	94,037	60,024
Other taxation and social security	254,358	380,108
Obligations under finance lease and hire purchase contracts	58,640	46,172
Overdraft facility	990,297	778,386
Other creditors	18,793	14,846
Accruals and deferred income	125,007	115,560
Financial instruments	31,493	-
	<u>2,500,713</u>	<u>2,619,107</u>

The secured overdraft facility is secured against the company's debtors. The maximum available under the facility is £1.5m



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

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**17. Creditors: Amounts falling due after more than one year**

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	88,153	51,539
Accruals and deferred income	-	52,734
	<u>88,153</u>	<u>104,273</u>

**18. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	58,640	46,172
Between 1-5 years	43,018	28,393
Over 5 years	47,362	23,147
	<u>149,020</u>	<u>97,712</u>

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

**19. Financial instruments**

	2019 £	2018 £
<b>Financial assets</b>		
Cash at bank	160,406	148,455
Financial assets that are debt instruments measured at amortised cost	1,437,555	1,554,430
	<u>1,597,961</u>	<u>1,702,885</u>
<b>Financial liabilities</b>		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	31,493	-
Financial liabilities measured at amortised cost	1,137,080	876,097
	<u>1,168,573</u>	<u>876,097</u>

Financial assets measured at amortised cost comprise trade debtors and other receivables.

Financial assets that are debt instruments measured at amortised cost comprise finance lease liabilities and the overdraft facility.

**20. Financial Risk Management**

The group has exposures to three main areas of risk - liquidity risk, foreign exchange risk and customer credit exposure.

**Customer credit exposure**

The majority of the company's sales are made on credit and therefore there is a risk that the company may be at risk should customers be unable to repay debts. Management seek to mitigate this risk through a variety of procedures and systems including the use of credit checks & references, a dedicated credit control team, regular monitoring and the use of credit insurance.

**Foreign exchange risk**

The company makes purchases from suppliers based overseas and therefore faces some degree of foreign exchange risk. Management mitigate this risk by reviewing exchange rates on an ongoing basis and have put in place systems and controls, such as the use of forward contracts to minimise the company's exposure to exchange rate fluctuations.

**Liquidity risk**

The company manages its working capital so as to meet all financial obligations as they fall due and optimise working capital flows. The company primarily funds its obligations through operating cash flows but uses finance lease facilities for capital expenditure. Management monitor cash flows against forecasts and carefully review expenditure to ensure that the company is able to meet obligations in a timely manner. Additional secured overdraft facilities are available to meet short term requirements.

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

**21. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
50,000 (2018 - 50,000) Ordinary shares of £1.00 each	<u>50,000</u>	<u>50,000</u>

**22. Reserves**

**Profit and loss account**

The Profit and Loss reserve represents the accumulated retained profits over the years of trading.

**23. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £35,599 (2018 - £24,032).

**24. Commitments under operating leases**

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	688,067	707,953
Later than 1 year and not later than 5 years	1,783,437	2,015,154
Later than 5 years	-	166,667
	<u>2,471,504</u>	<u>2,889,774</u>

**25. Controlling party**

The directors consider that D. E. Andrews is the ultimate controlling party.

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