

Nikwax Limited
Annual Report and Financial Statements
for the Year Ended 31 July 2021

Brebners
Chartered Accountants & Statutory Auditor
1 Suffolk Way
Sevenoaks
Kent
TN13 1YL

Nikwax Limited

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Nikwax Limited

Company Information

Directors	Mr A Arnold Mr E Hukimwe Mr J Nash
Registered office	Unit F Durgates Industrial Estate Wadhurst East Sussex TN5 6DF
Auditor	Brebners Chartered Accountants & Statutory Auditor 1 Suffolk Way Sevenoaks TN13 1YL

Nikwax Limited

Strategic Report for the Year Ended 31 July 2021

The directors present their strategic report for the year ended 31 July 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of the manufacture and sale of emulsion based waterproofing, cleaning and conditioning products mainly to the outdoor leisure market.

Nikwax manufactures high quality cleaning and waterproofing products. Nikwax prolongs the life and enhances the performance of clothing, footwear and equipment.

The directors are pleased with the results and the profitability of the company for the year.

Fair review of the business

For the year ended 31 July 2021 turnover has increased by £1.64m to £11.24m and gross profit has also increased by £806k to £6.63m. Despite this increase, the gross profit margin has fallen slightly from 61% to 59% which is largely due to the fluctuations in raw material prices.

The company experienced a strong year in the United Kingdom and noted an increase in both turnover and gross profit. This growth is predominantly due to the good weather in the UK paired with the increased number of staycations during the Covid-19 pandemic whilst there were restrictions on overseas travel. Non-European sales have also seen substantial growth, resulting in an overall strong year.

The directors expect the principal activity of the company for the year ending 31 July 2022 to remain consistent and are hopeful that performance levels will continue through 2022.

Key Performance Indicators

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

Financial KPIs	Unit	2021	2020
Turnover	£m	11.24	9.61
Gross Profit	£m	6.63	5.83
Gross Profit Margin	%	58.97	60.63
Current Ratio	%	1.91	2.98

Non-Financial Key Performance Indicators

Amongst these non-financial indicators being measured monthly and reported against target are:-

Energy (Gas & Electricity) and Water Consumption of its Primary Activities (Manufacturing, Filling & Bottling and Administration)

CO2 Emissions from its Primary Activities

Waste Creation

Proportion of Waste Recycled

The company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. The ownership of the company has transitioned to that of an Employee-Owned Trust (EOT) in February 2022. The board believes that the consistent adoption of reasonable business practice is essential for operational excellence, which in turn, ensures the delivery of its core objectives of sustained profitability.

Nikwax Limited

Strategic Report for the Year Ended 31 July 2021

Operational Risk

Operational risk is caused by failures in business processes, or the systems or physical infrastructure that support them, that have the potential to result in financial loss or reputation damage. This includes errors, omissions, systems failure, lack of resources or physical assets and deliberate acts such as fraud.

The regulated environment in which the company operates imposes reporting requirements and continuing self assessment and appraisal. The company seeks to continually improve its operating efficiencies and standards. Operational risks are also limited by following the working practices required to maintain ISO 9001 accreditation (in the UK).

Credit Risk

Credit risk is the risk that counter-parties will not be able to meet their obligations as they fall due. There are regular credit reviews of counter-party limits. Nikwax Limited mitigates its risk by taking out credit insurance and through continuous contact with its customers.

Liquidity Risk

The company ensures that liquidity is maintained by monitoring it, both as an absolute measure and as a ratio. In the UK flexibility is maintained by ensuring sufficient space exists between actual cash being used and available cash through invoice discounting. The company monitor borrowing against working capital and report this on a weekly basis.

Market Risk

The company recognises the existence of market risk and, in particular, the effects of weather on demand for the product. Correlation of sales growth to historical deviation from normal weather conditions is constantly monitored. Forward forecasts of weather and climate are taken into consideration for both short and long term planning.

Foreign Currency Risk

A number of hedging instruments are available to Nikwax Limited through its bankers, HSBC Plc. Exposure to fluctuating euro/sterling exchange rates has been mitigated to some degree by selling forward a limited amount of anticipated Euro, CHF and PLN sales ledger receipts.

Interest Rate Risk

The group is exposed to interest rate risk. The directors continually monitor cashflow and ensure interest exposure is minimal and maintain a strong relationship with its bankers, HSBC Plc.

Environmental Risk

The company continues the ethos of its founder and systematically challenges itself to not only lessen the impacts of running a manufacturing business, but also to positively contribute to the health of local communities and the preservation of wild places, near and far.

The company recognises its impact on the environment which it seeks to reduce by offsetting 100% of its primary carbon footprint and sourcing green energy. In the UK the company has attained ISO14001 accreditation.

Risk Summary

The directors continuously monitor and respond to changes in the company's risk environment, so ensuring that the company remains well placed to address operational, reputational, financial and business risks in a timely and appropriate manner.

Nikwax Limited

Strategic Report for the Year Ended 31 July 2021

Future developments

The principal activity and trading performance of the company is expected to remain consistent for the foreseeable future. The directors intend to continue to make investments in the business to ensure the company maintains its reputation in the outdoor leisure market. The directors will be investigating ways to increase turnover through global opportunities as they arise.

The company has been undertaking the processes of changing its ownership structure to that of an Employee-Owned Trust and this has been achieved recently. Transitioning to an EOT will allow for the continued sustainable growth of the business whilst maintaining the core values which the business has been built upon.

Approved by the Board on 9 May 2022 and signed on its behalf by:

.....
Mr J Nash
Director

Nikwax Limited

Directors' Report for the Year Ended 31 July 2021

The directors present their report and the financial statements for the year ended 31 July 2021.

Directors of the company

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

Mr N Brown (resigned 1 February 2022)

Mr A Arnold

Mr E Hukuimwe

Mr J Nash

Dividends

An interim dividend of £116,269 was declared and paid in the year (2020: £Nil). No final dividend is proposed.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414c (11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the large and medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of financial risk management, exposure and future developments.

Research and development

Nikwax Limited remains committed to advancing its knowledge of fabric capabilities and developing its products to make the best use of new technology. During the year the company expended the following towards research and development:

	2021	2020
	£	£
Research and Development	331,122	214,217

Disclosure of information to the auditor

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

Approved by the director on 9 May 2022 and signed by:

.....
Mr J Nash
Director

Nikwax Limited

Statement of Directors' Responsibilities

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

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

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

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

Nikwax Limited

Independent Auditor's Report to the Members of Nikwax Limited for the Year Ended 31 July 2021

Opinion

We have audited the financial statements of Nikwax Limited (the 'company') for the year ended 31 July 2021, which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Nikwax Limited

Independent Auditor's Report to the Members of Nikwax Limited for the Year Ended 31 July 2021

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Nikwax Limited

Independent Auditor's Report to the Members of Nikwax Limited for the Year Ended 31 July 2021

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and the retail industry in which it operates, we determined that the principal risks of non-compliance with laws and regulations related to the reporting framework (FRS 102 and the Companies Act 2006) and UK corporate taxation laws and environmental legislation, health and safety legislation, anti-bribery legislation and data protection legislation. These risks were communicated to our audit team and we remained alert to any indications of non-compliance throughout our audit.

We understood how the company is complying with relevant legislation by making enquiries of management and those responsible for legal and compliance procedures. We also considered the results of our audit procedures and to what extent these corroborate this understanding and assessed the susceptibility of the company's financial statements to material misstatement. This included consideration of how fraud might occur and evaluation of management's incentives and opportunities for fraudulent manipulation of the financial statements.

We designed our audit procedures to identify any non-compliance with laws and regulations. Such procedures included, but were not limited to, inspection of any regulatory or legal correspondence; challenging assumptions and judgements made by management; identifying and testing journal entries with a focus on large or unusual transactions as determined based on our understanding of the business; and identifying and assessing the effectiveness of controls in place to prevent and detect fraud.

Owing to the inherent limitations of an audit, there remains a risk that a material misstatement may not have been detected, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance with laws and regulations and cannot be expected to detect all instances of non-compliance.

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

The primary responsibility for the detection and prevention of fraud rests with those responsible for governance and management. The further removed non-compliance with laws and regulations is from the events reflected in the financial statements, the less likely the auditor will become aware of it.

The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission, misrepresentation or forgery.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Martin Widdowson (Senior Statutory Auditor)
For and on behalf of Brebners, Statutory Auditor
1 Suffolk Way
Sevenoaks
TN13 1YL

9 May 2022

Nikwax Limited

Statement of Income and Retained Earnings for the Year Ended 31 July 2021

	Note	2021 £	2020 £
Turnover	<u>3</u>	11,244,281	9,607,465
Cost of sales		<u>(4,613,117)</u>	<u>(3,781,986)</u>
Gross profit		6,631,164	5,825,479
Administrative expenses		(6,174,653)	(5,451,108)
Other operating income	<u>4</u>	<u>63,918</u>	<u>368,806</u>
Operating profit	<u>5</u>	520,429	743,177
Other interest receivable and similar income	<u>6</u>	557,336	8,851
Interest payable and similar charges	<u>7</u>	<u>(65,784)</u>	<u>(43,157)</u>
		<u>491,552</u>	<u>(34,306)</u>
Profit before tax		1,011,981	708,871
Taxation	<u>11</u>	<u>(33,573)</u>	<u>(93,583)</u>
Profit for the financial year		978,408	615,288
Retained earnings brought forward		4,098,255	3,482,967
Dividends paid	<u>23</u>	<u>(116,269)</u>	<u>-</u>
Retained earnings carried forward		<u>4,960,394</u>	<u>4,098,255</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

Nikwax Limited

Statement of Financial Position as at 31 July 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	<u>12</u>	2,875,271	2,851,216
Investments	<u>13</u>	-	116,269
		<u>2,875,271</u>	<u>2,967,485</u>
Current assets			
Stocks	<u>14</u>	1,587,672	1,029,465
Debtors	<u>15</u>	2,809,600	1,407,087
Cash at bank and in hand		814,640	2,516,307
		<u>5,211,912</u>	<u>4,952,859</u>
Creditors: Amounts falling due within one year	<u>17</u>	<u>(2,730,064)</u>	<u>(1,664,680)</u>
Net current assets		<u>2,481,848</u>	<u>3,288,179</u>
Total assets less current liabilities		5,357,119	6,255,664
Creditors: Amounts falling due after more than one year	<u>17</u>	<u>(147,668)</u>	<u>(1,941,925)</u>
Provisions for liabilities	<u>18</u>	<u>(121,492)</u>	<u>(87,919)</u>
Net assets		<u>5,087,959</u>	<u>4,225,820</u>
Capital and reserves			
Called up share capital	<u>21</u>	123,776	123,776
Capital redemption reserve		3,789	3,789
Profit and loss account		<u>4,960,394</u>	<u>4,098,255</u>
Shareholders' funds		<u>5,087,959</u>	<u>4,225,820</u>

Company registration number: 03101664

Approved and authorised by the Board on 9 May 2022 and signed on its behalf by:

.....
Mr J Nash

Director

The notes on pages 13 to 26 form an integral part of these financial statements.

Nikwax Limited

Statement of Cash Flows for the Year Ended 31 July 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		978,408	615,288
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	228,465	301,907
(Profit)/loss on disposal of tangible assets		(2,699)	31
Finance income	<u>6</u>	(557,336)	(8,851)
Finance costs	<u>7</u>	65,784	43,157
Income tax expense	<u>11</u>	33,573	93,583
		746,195	1,045,115
Working capital adjustments			
(Increase)/decrease in stocks		(558,207)	172,390
Increase in trade and other debtors		(1,414,240)	(246,222)
Increase/(decrease) in trade and other creditors		<u>1,013,080</u>	<u>(579,564)</u>
Cash generated from operations		(213,172)	391,719
Income taxes received/(paid)		<u>11,727</u>	<u>(38,237)</u>
Net cash flow from operating activities		<u>(201,445)</u>	<u>353,482</u>
Cash flows from investing activities			
Interest received		3,547	8,851
Acquisition of subsidiaries		-	(1,020)
Proceeds from sale of subsidiaries		116,269	-
Acquisitions of tangible assets		(107,381)	(83,901)
Proceeds from sale of tangible assets		5,351	-
Dividend income	<u>6</u>	<u>553,789</u>	<u>-</u>
Net cash flows from investing activities		<u>571,575</u>	<u>(76,070)</u>
Cash flows from financing activities			
Interest paid		(65,784)	(43,157)
Repayment of bank borrowing		(2,034,813)	1,387,761
Payments to finance lease creditors		(38,567)	(69,186)
Dividends paid		<u>(116,269)</u>	<u>-</u>
Net cash flows from financing activities		<u>(2,255,433)</u>	<u>1,275,418</u>
Net (decrease)/increase in cash and cash equivalents		(1,885,303)	1,552,830
Cash and cash equivalents at 1 August		<u>2,196,196</u>	<u>643,366</u>
Cash and cash equivalents at 31 July		<u>310,893</u>	<u>2,196,196</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

1 General information

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

The address of its registered office is:

Unit F
Durgates Industrial Estate
Wadhurst
East Sussex
TN5 6DF

The principal activity of the company is that of the manufacture and sale of emulsion based waterproofing, cleaning and conditioning products mainly to the outdoor leisure market.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except any items disclosed in the accounting policies as being shown at fair value and are presented in sterling, which is the functional currency of the entity.

Going concern

The company made a profit after tax of £978,408 for the year ended 31 July 2021 and had net assets of that date of £5,087,959, including cash at bank of £814,640.

The directors have considered the ongoing impact of the current Covid-19 pandemic and, although there is no certainty as to when this will end, the directors' view is that the impact has been, and will continue to be manageable.

On the basis of the above, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. Key assumptions and other estimation uncertainties provide a risk of causing a material adjustment to the carrying values of assets and liabilities.

Judgements and estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Goodwill is amortised over three years, factors such as expected future performance and economic viability have been considered when estimating and judging the life of goodwill.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when goods are packed and despatched to customers. Retail sales are recognised at the point of sale.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold Property	straight line over between 10-50 years
Leasehold Improvements	straight line over 20 years
Motor Vehicles	straight line over 4 years
Plant & Equipment	straight line over between 3-10 years

In respect of the company's freehold property depreciation is provided based upon the directors estimate of net residual value and useful economic lives at the rates shown. Freehold land is not depreciated.

In respect of the company's long term leases no amortisation is provided as the net residual value is considered such that no material change arises.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost of component stock such as chemicals and packaging is determined using the weighted average method, whilst cost of finished goods are determined using the first-in, first-out (FIFO) basis.

The cost of finished goods comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance leases

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Assets held under hire purchase contracts are capitalised at the lesser of fair value or present value of minimum lease payments in the statement of financial position. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. A corresponding liability is recognised at the same value in the statement of financial position. The asset is then depreciated over its useful life.

The minimum lease payments are apportioned between the finance charge recognised in the income statement and the reduction of the outstanding liability using the effective interest method. The finance charge in each period is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

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

	2021 £	2020 £
Sale of goods	<u>11,244,281</u>	<u>9,607,465</u>

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

	2021 £	2020 £
UK	4,567,019	4,021,553
Rest of Europe	2,759,073	2,591,060
Rest of world	<u>3,918,189</u>	<u>2,994,852</u>
	<u>11,244,281</u>	<u>9,607,465</u>

4 Other operating income

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

	2021 £	2020 £
Government grants	<u>63,918</u>	<u>368,806</u>

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

5 Operating profit

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	228,465	301,907
Foreign exchange losses	97,524	3,284
Operating lease expense - plant and machinery	76,781	72,968
(Profit)/loss on disposal of property, plant and equipment	(2,699)	31

6 Other interest receivable and similar income

	2021 £	2020 £
Dividend income	553,789	-
Other finance income	3,547	8,851
	557,336	8,851

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and borrowings	62,454	38,493
Interest on obligations under finance leases and hire purchase contracts	3,330	4,664
	65,784	43,157

8 Staff costs

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

	2021 £	2020 £
Wages and salaries	3,589,003	3,183,558
Social security costs	348,343	270,029
Pension costs, defined contribution scheme	89,673	63,185
Other employee expense	131,727	90,424
	4,158,746	3,607,196

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

	2021 No.	2020 No.
Production and manufacturing	37	38
Administration and support	71	72
	108	110

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	534,181	281,050
Contributions paid to money purchase schemes	26,096	5,194
	<u>560,277</u>	<u>286,244</u>

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

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	2021 £	2020 £
Remuneration	171,084	95,148
Contributions to money purchase pension schemes	<u>20,000</u>	<u>-</u>

10 Auditor's remuneration

	2021 £	2020 £
Audit of the financial statements	<u>12,000</u>	<u>12,000</u>
Other fees to auditors		
Corporate tax compliance	<u>10,863</u>	<u>12,076</u>

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

11 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	-	38,237
Deferred taxation		
Arising from origination and reversal of timing differences	33,573	55,346
Tax expense in the income statement	33,573	93,583

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	1,011,981	708,871
Corporation tax at standard rate	192,276	134,685
Effect of expense not deductible in determining taxable profit (tax loss)	5,585	4,694
Decrease from effect of tax incentives	(81,787)	(127,738)
Tax (decrease)/increase from effect of capital allowances and depreciation	(18,035)	27,911
Tax increase from other short-term timing differences	33,573	55,346
Tax increase from effect of unrelieved tax losses carried forward	7,625	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	(105,664)	(1,315)
Total tax charge	33,573	93,583

Deferred tax

Deferred tax assets and liabilities

	Liability £
2021	
Accelerated capital allowances	121,492
2020	
Accelerated capital allowances	87,919

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

12 Tangible assets

	Land and buildings £	Long leasehold property £	Plant, Equipment and fixtures £	Motor vehicles £	Total £
Cost or valuation					
At 1 August 2020	1,882,886	862,774	2,475,546	276,555	5,497,761
Additions	-	28,199	226,975	-	255,174
Disposals	-	-	(127,657)	(21,227)	(148,884)
At 31 July 2021	1,882,886	890,973	2,574,864	255,328	5,604,051
Depreciation					
At 1 August 2020	129,002	331,386	1,934,431	251,727	2,646,546
Charge for the year	32,501	20,023	159,186	16,756	228,466
Eliminated on disposal	-	-	(127,657)	(18,575)	(146,232)
At 31 July 2021	161,503	351,409	1,965,960	249,908	2,728,780
Carrying amount					
At 31 July 2021	1,721,383	539,564	608,904	5,420	2,875,271
At 31 July 2020	1,753,884	531,389	541,115	24,828	2,851,216

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021 £	2020 £
Plant and Machinery	263,198	218,673
Motor Vehicles	-	20,077
	263,198	238,750

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

13 Investments

	2021 £	2020 £
Investments in subsidiaries	-	116,269
Subsidiaries		£
Cost or valuation		
At 1 August 2020		116,269
Disposals		(116,269)
At 31 July 2021		-
Carrying amount		
At 31 July 2021		-
At 31 July 2020		116,269

Details of undertakings

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

Undertaking	Holding	Proportion of voting rights and shares held	
		2021	2020
Subsidiary undertakings			
Nikwax North America, Inc	Ordinary	0%	100%
Paramo Limited	Ordinary	0%	100%
Nikwax Europe	Ordinary	0%	100%
Associates			
Durgates Industrial Estates Limited	Ordinary	24%	24%

The registered office of the above is Unit F, Durgates Industrial Estate. Wadhurst, East Sussex, TN5 6DF.

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

14 Stocks

2021 £	2020 £
Raw materials and consumables	453,424
Finished goods	576,041
1,587,672	1,029,465

15 Debtors

2021 £	2020 £
Trade debtors	805,712
Amounts owed by group undertakings	181,576
Other debtors	68,936
Prepayments and accrued income	339,136
Corporation tax asset	11,727
2,809,600	1,407,087

Total current trade and other debtors

16 Cash and cash equivalents

2021 £	2020 £
Cash on hand	22,813
Cash at bank	2,493,494
814,640	2,516,307
Bank overdrafts	(320,111)
310,893	2,196,196

Cash and cash equivalents in statement of cash flows

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

17 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	<u>22</u>	557,233	504,929
Trade creditors		1,128,868	531,445
Social security and other taxes		88,204	97,904
Other payables		205,366	123,573
Accrued expenses		<u>750,393</u>	<u>406,829</u>
		2,730,064	1,664,680
Due after one year			
Loans and borrowings	<u>22</u>	<u>147,668</u>	<u>1,941,925</u>

18 Provisions for liabilities

	Deferred tax £	Total £
At 1 August 2020	87,919	87,919
Increase (decrease) in existing provisions	<u>33,573</u>	<u>33,573</u>
At 31 July 2021	121,492	121,492

19 Guarantees and Commitments

Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021 £	2020 £
Not later than one year	136,776	194,934
Later than one year and not later than five years	<u>-</u>	<u>36,965</u>
	136,776	231,899

Guarantees

The company has guaranteed the overdraft facilities of other group undertakings. As at 31 July 2021, the amount outstanding amounted to £765,209 (2020: £2,104,019) although no liability is expected to arise. The guarantee is supported by the same security referred to in note 22.

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £89,673 (2020 - £63,185).

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

21 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	123,776	123,776	123,776	123,776

There are no restrictions on the distribution of dividends or the repayment of capital.

22 Loans and borrowings

	2021 £	2020 £
Non-current loans and borrowings		
Bank borrowings	-	1,885,824
Hire purchase contracts	147,668	56,101
	147,668	1,941,925

	2021 £	2020 £
Current loans and borrowings		
Bank borrowings	-	148,989
Bank overdrafts	503,747	320,111
Hire purchase contracts	53,486	35,829
	557,233	504,929

The company's bank overdrafts are secured by a fixed charge over the company's freehold and leasehold property, certain book debts and a fixed and floating charge over the other assets and undertakings of the company. Obligations under hire purchase and finance leases are secured on the assets concerned.

23 Dividends

	2021 £	2020 £
Interim dividend of £0.9393 (2020 - £Nil) per ordinary share	116,269	-

Nikwax Limited

Notes to the Financial Statements for the Year Ended 31 July 2021

24 Analysis of changes in net debt

	At 1 August 2020 £	Financing cash flows £	New finance leases £	At 31 July 2021 £
Cash and cash equivalents				
Cash	2,516,307	(1,701,667)	-	814,640
Overdrafts	(320,111)	(183,636)	-	(503,747)
	<u>2,196,196</u>	<u>(1,885,303)</u>	<u>-</u>	<u>310,893</u>
Borrowings				
Long term borrowings	(1,885,824)	1,885,824	-	-
Short term borrowings	(148,989)	148,989	-	-
Lease liabilities	(91,930)	38,569	(147,793)	(201,154)
	<u>(2,126,743)</u>	<u>2,073,382</u>	<u>(147,793)</u>	<u>(201,154)</u>
	<u>69,453</u>	<u>188,079</u>	<u>(147,793)</u>	<u>109,739</u>

25 Related party transactions

Key management personnel

	2021 £	2020 £
Salaries and other short term employee benefits	<u>785,300</u>	<u>535,182</u>

Summary of transactions with subsidiaries

Exemption has been taken under FRS 102, paragraph 33.1A not to disclose transactions and amount falling due with other companies that are wholly owned within the group.

26 Holding company

The parent of the smallest and largest group preparing group accounts including the results of the company is headed by Gearform Holdings Ltd, which is both the immediate and ultimate parent undertaking.
The registered address of Gearform Holdings Ltd is Unit F, Durgates Industrial Estate, Wadhurst, East Sussex. TN5 6DF.
Ultimate control vests with Gearform Trustees Limited.

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