COMPANY REGISTRATION NUMBER: 04215957

CELLECTA LIMITED

FINANCIAL STATEMENTS

31 December 2019

CELLECTA LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2019

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CELLECTA LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Director	Mr A Fry
Registered office	Innovation House Norman Close Rochester Kent England ME2 2NF
Auditor	Kilsby & Williams LLP Chartered Accountants & statutory auditor Cedar House Hazell Drive Newport NP10 8FY

CELLECTA LIMITED

STRATEGIC REPORT

Year ended 31 December 2019

Cellecta Limited is one of the UK's leading manufacturers of acoustic treatments, specialist thermal insulation products and underfloor heating components. The company operates from three sites. Manufacturing, distribution and accounts are located at a head office in Rochester, Kent, sales processing and technical support from a site in Newport, South Wales and marketing and R&D are coordinated from a facility in Poole, Dorset. The company offers its extensive range of high quality products via a nationwide network of specialist distributers and builders merchants. Strict management of costs, continual focus of production efficiencies and unrivalled customer services are the primary reasons for the company's prolonged success. To maintain margin expectations, the vast majority of the company's products are supported by third party accreditation, which in turn is reinforced by the company utilising ISO 9001 as a management improvement tool. The year saw outstanding financial performance with sales of £21,551,894, which yielded a gross profit of £(11,926,511) at a margin of 44.7% (2018 - 43.9%). The financial performance was a result of a number of factors including: - Strict controls of purchasing, manufacturing processes and flexibility in pricing - Strong focus on specification of high end value products by the sales team - Continual targeted marketing campaigns. The company monitors performance on a regular basis with key performance indications such as: - Monthly sales compared to budget - Customer monthly sales performance compared to budget and previous periods - Transportation costs and consignment consolidation effectiveness. The company has continued to streamline production practices. In addition, investments in new production equipment has helped with diversification of product mix, increasing market penetration. Principal risks and uncertainties The business has continued to grow despite challenging market conditions. Sterling remained weak throughout 2019. Uncertainties about the actual date of Brexit and possible effects were a drain of everyone's energy and focus. Most of Cellecta's raw materials come from European Union countries, in particular Belgium, Italy and Germany. Investments in stock to mitigate against a hard Brexit were put in place three times to minimise the risks posed by delays at the port/Eurotunnel. This action made stock management difficult and disrupted the normal smooth operational flow of goods from our suppliers. The company outperformed its budget despite the political wrangling that threatened to derail the economy. Outlook First quarter trading numbers of 2020 were in line with the Board's expectations until the very end of March when the COVID-19 pandemic hit. The resulting national lockdown had a dramatically effect of trading numbers. Quarter 2 results were some 60% below expectations. Over two thirds of the staff were put on furlough. A core team of staff remained at work throughout the lockdown to ensure vital sites were kept supplied. Quarter 3 saw most of the manufacturing staff, accounts and internal sales returning to work. External staff returned on a part time basis, with wages topped up to 80% with the furlough scheme. Sales numbers increased. However, turnover is expected to come in some 20% lower than 2020's budget. As a result, the company has implemented a comprehensive business review to determine if its staff numbers are in line with foreseeable demands going into Q4 and 2021. The company has a strong balance sheet and is well positioned to cope with the downturn. The company has continued to be profitable throughout this period. Going forward the company's strict financial controls, strong brand presence and its ability to adapt to quickly to market pressures will enable it to weather the challenging financial conditions going forward. No imminent improvement in sterling's value is expected soon. Further devaluation is more than likely should the UK leave the EU at the end of the transition period without a comprehensive free trade deal. The poor value of sterling continues to impact negatively on of raw material costs. Should sterling not strengthen, profits are likely to affected negatively. To combat this, the board will continue to keep a tight rein on expenditure. Planned manufacturing investment will further improve productivity. The close relation with the company has built up over the last 19 years with its continental supply partners will be critical over the coming months. Their full involvement in the process and understanding of the new processes will ensure the transfer of Cellecta into a to third county status customer passes as painlessly as possible. The introduction of additional automated machinery has improved productivity further, with manufacturing quality and yield consistency improving. Further investments are expected to be made over the coming years to ensure the company continues to be at the forefront of innovation and remain flexible in an ever-changing market.

This report was approved by the board of directors on 28 October 2020 and signed on behalf of the board by:

Mr A Fry

Director

CELLECTA LIMITED

DIRECTOR'S REPORT

Year ended 31 December 2019

The director presents his report and the financial statements of the company for the year ended 31 December 2019 .

Director

The director who served the company during the year was as follows:

Mr A Fry

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Financial instruments

The company's principal financial instruments comprise, bank accounts trade debtors and trade creditors and loans. The purpose of these instruments is to raise funds 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 instruments is shown below.

In respect of bank balances the liquidity risk is managed by ensuring debtors are collected in accordance with their terms.

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

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet obligations as they fall due.

Events after the end of the reporting period

Subsequent to the period end, economies and financial markets around the world experienced financial falls arising from uncertainties linked to the COVID-19 pandemic. There is currently no material impact on the company and this is a non-adjusting event. The future impact of the pandemic on the company will be quantified as the situation evolves.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 we set out in the company's strategic report information required by schedule 7 of the Large and Medium sized companies and Groups (Accounts and report) Regulations 2008.

Director's responsibilities statement

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations. Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the director is required to: - select suitable accounting policies and then apply them consistently; - make judgments and accounting estimates that are reasonable and prudent; - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The director is 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. He is 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. Auditor

Each of the persons who is a director at the date of approval of this report confirms that:
- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and - they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 28 October 2020 and signed on behalf of the board by:

Mr A Fry

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELLECTA LIMITED

Year ended 31 December 2019

Opinion

We have audited the financial statements of Cellecta Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, balance sheet, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements: - give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

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 director's 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 director's 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, 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. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also: - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director. - Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. 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.

Ataf Salim

(Senior Statutory Auditor)

For and on behalf of

Kilsby & Williams LLP

Chartered Accountants & statutory auditor

Cedar House

Hazell Drive

Newport

NP10 8FY

2 November 2020

CELLECTA LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2019

	Note	2019 £	2018 £
TURNOVER	**5**	21,551,894	19,959,646
Cost of sales		(11,926,511)	(11,183,125)
GROSS PROFIT		9,625,383	8,776,521
Administrative expenses		(3,693,013)	(3,517,146)
Other operating income	**6**	13,790	13,308
OPERATING PROFIT	**7**	5,946,160	5,272,683
Other interest receivable and similar income	**11**	29,211	20,833
PROFIT BEFORE TAXATION		5,975,371	5,293,516
Tax on profit	**12**	(819,843)	(1,001,860)
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		5,155,528	4,291,656
Dividends paid and payable	**13**	(3,306,000)	(3,190,000)
RETAINED EARNINGS AT THE START OF THE YEAR		9,836,872	8,735,216
RETAINED EARNINGS AT THE END OF THE YEAR		11,686,400	9,836,872

All the activities of the company are from continuing operations.

CELLECTA LIMITED

BALANCE SHEET

31 December 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	14	5,113	–
Tangible assets	15	617,332	412,016
		622,445	412,016
CURRENT ASSETS			
Stocks	16	910,196	752,558
Debtors	17	5,320,247	3,890,337
Cash at bank and in hand		6,657,975	6,114,897
		12,888,418	10,757,792
CREDITORS: amounts falling due within one year	18	(1,768,796)	(1,317,355)
NET CURRENT ASSETS		11,119,622	9,440,437
TOTAL ASSETS LESS CURRENT LIABILITIES		11,742,067	9,852,453
PROVISIONS	19	(55,584)	(15,498)
NET ASSETS		11,686,483	9,836,955
CAPITAL AND RESERVES			
Called up share capital	22	58	58
Capital redemption reserve	23	25	25
Profit and loss account	23	11,686,400	9,836,872
SHAREHOLDERS FUNDS		11,686,483	9,836,955

These financial statements were approved by the board of directors and authorised for issue on 28 October 2020 , and are signed on behalf of the board by:

Mr A Fry

Director

Company registration number: 04215957

CELLECTA LIMITED
STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	2019	2018
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	5,155,528	4,291,656
Adjustments for:		
Depreciation of tangible assets	140,412	85,321
Amortisation of intangible assets	1,908	–
Other interest receivable and similar income	(29,211)	(20,833)
Loss on disposal of tangible assets	876	–
Tax on profit	819,843	1,001,860
Accrued expenses	237,530	96,397
Changes in:		
Stocks	(157,638)	(117,490)
Trade and other debtors	(1,428,234)	(240,725)
Trade and other creditors	398,440	(57,636)
Cash generated from operations	5,139,454	5,038,550
Interest received	29,211	20,833
Tax paid	(965,962)	(870,447)
Net cash from operating activities	4,202,703	4,188,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(346,604)	(54,158)
Purchase of intangible assets	(7,021)	–
Net cash used in investing activities	(353,625)	(54,158)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(3,306,000)	(3,190,000)
Net cash used in financing activities	(3,306,000)	(3,190,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	543,078	944,778
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,114,897	5,170,119
CASH AND CASH EQUIVALENTS AT END OF YEAR	6,657,975	6,114,897

CELLECTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. GENERAL INFORMATION

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Innovation House, Norman Close, Rochester, Kent, ME2 2NF, England.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that 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 that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Patents, trademarks and licences - 3 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred. Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met: - It is technically feasible to complete the intangible asset so that it will be available for use or sale; - There is the intention to complete the intangible asset and use or sell it; - There is the ability to use or sell the intangible asset; - The use or sale of the intangible asset will generate probable future economic benefits; - There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and - The expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Plant and machinery	-	25% reducing balance
Fixtures, fittings and equipment	-	33% straight line
Motor vehicles	-	25% reducing balance
Property improvements	-	25 % reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently measured at amortised cost. Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment. Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately. For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics. Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES 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.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome.

There are no material accounting estimates used in the preparation of these financial statements.

5. TURNOVER

Turnover arises from:

	2019	2018
	£	£
Sale of goods	21,551,894	19,959,646

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

6. OTHER OPERATING INCOME

	2019	2018
	£	£
Commission receivable	13,790	13,308

7. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2019	2018
	£	£
Amortisation of intangible assets	1,908	–
Depreciation of tangible assets	140,412	85,321
Loss on disposal of tangible assets	876	
Impairment of trade debtors	(567)	3,403
Research and development expenditure written off	19,940	19,731

8. AUDITOR'S REMUNERATION

	2019	2018
	£	£
Fees payable for the audit of the financial statements	10,000	8,500

9. STAFF COSTS

The average number of persons employed by the company during the year, including the director, amounted to:

	2019	2018
	No.	No.
Directors	1	1
Other staff	45	46
	46	47

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	2,135,077	1,942,777
Social security costs	173,335	193,592
Other pension costs	123,528	117,128
	2,431,940	2,253,497

10. DIRECTOR'S REMUNERATION

The director's aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	113,018	93,232
Company contributions to defined contribution pension plans	11,933	8,496
	124,951	101,728

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	1	1

11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Interest on cash and cash equivalents	19,279	20,833
Other interest receivable and similar income	9,932	–
	29,211	20,833

12. TAX ON PROFIT

Major components of tax expense

	2019	2018
	£	£
Current tax:		
UK current tax expense	1,082,446	1,015,415
Adjustments in respect of prior periods	(302,689)	–
Total current tax	779,757	1,015,415
Deferred tax:		
Origination and reversal of timing differences	40,086	(13,555)
Tax on profit	819,843	1,001,860

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19 % (2018: 19 %).

	2019	2018
	£	£
Profit on ordinary activities before taxation	5,975,371	5,293,516
Profit on ordinary activities by rate of tax	1,135,320	1,005,768
Adjustment to tax charge in respect of prior periods	(302,583)	–
Effect of expenses not deductible for tax purposes	7,716	6,602
Effect of capital allowances and depreciation	2,556	(10,510)
Patent Box relief	(23,166)	–
Tax on profit	819,843	1,001,860

13. DIVIDENDS

	2019	2018
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	3,306,000	3,190,000

14. INTANGIBLE ASSETS

	Patents, trademarks and licences
	£
Cost	
At 1 January 2019	34,821
Additions	7,021
At 31 December 2019	41,842
Amortisation	
At 1 January 2019	34,821
Charge for the year	1,908
At 31 December 2019	36,729
Carrying amount	
At 31 December 2019	5,113
At 31 December 2018	–

15. TANGIBLE ASSETS

	Freehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Property Improvements	Total
	£	£	£	£	£	£
Cost						
At 1 Jan 2019	266,915	505,615	184,404	11,167	9,357	977,458
Additions	–	294,628	51,976	–	–	346,604
Disposals	–	(1,175)	(645)	–	–	(1,820)
At 31 Dec 2019	266,915	799,068	235,735	11,167	9,357	1,322,242
Depreciation						
At 1 Jan 2019	10,676	371,803	172,414	6,456	4,093	565,442
Charge for the year	5,338	106,955	25,624	1,179	1,316	140,412
Disposals	–	(514)	(430)	–	–	(944)
At 31 Dec 2019	16,014	478,244	197,608	7,635	5,409	704,910
Carrying amount						
At 31 Dec 2019	250,901	320,824	38,127	3,532	3,948	617,332
At 31 Dec 2018	256,239	133,812	11,990	4,711	5,264	412,016

16. STOCKS

	2019	2018
	£	£
Stock	910,196	752,558

17. DEBTORS

	2019	2018
	£	£
Trade debtors	3,538,879	2,337,429
Prepayments and accrued income	27,683	26,596
Corporation tax repayable	82,654	–
Other debtors	1,671,031	1,526,312
	5,320,247	3,890,337

18. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	1,235,833	908,384
Accruals and deferred income	333,927	96,397
Corporation tax	–	186,205
Social security and other taxes	196,163	123,968
Director loan accounts	1,676	–
Other creditors	1,197	2,401
	1,768,796	1,317,355

19. PROVISIONS

	Deferred tax (note 20)
	£
At 1 January 2019	15,498
Charge against provision	40,086
At 31 December 2019	55,584

20. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2019	2018
	£	£
Included in provisions (note 19)	55,584	15,498

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	55,667	15,610
Patent Box	(83)	(112)
	55,584	15,498

21. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £ 123,528 (2018: £ 117,128).

22. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2019		2018	
	No.	**£**	**No.**	**£**
Ordinary shares of £ 0.01 each	5,800	58	5,800	58

23. RESERVES

The Capital Redemption Reserve represents a transfer made to reserves following the part purchase of the company's own shares.

24. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2019	Cash flows	**At 31 Dec 2019**
	£	**£**	**£**
Cash at bank and in hand	6,114,897	543,078	6,657,975
Debt due within one year	–	(1,676)	(1,676)
	6,114,897	541,402	6,656,299

25. OPERATING LEASES

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

	2019	2018
	£	**£**
Not later than 1 year	28,132	22,982
Later than 1 year and not later than 5 years	38,053	72,449
	66,185	95,431

26. RELATED PARTY TRANSACTIONS

Included within other debtors is £1,333,062 (2018 - £1,333,062) due from a company related by common control. Goods and services totalling £323,667 (2018 - £322,398) was purchased from this entity. Included within other creditors is £1,676 (2018 - £–) due to a director. The loan is interest free and repayable on demand.

27. CONTROLLING PARTY

The controlling party is A W Fry.