

**SGS Ashby Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2018**



**ANNUAL REPORT AND FINANCIAL STATEMENTS 2018**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J McGurk

**COMPANY SECRETARY**

C Aldag

**REGISTERED OFFICE**

Rossmore Business Park  
Ellesmere Port  
Cheshire  
CH65 3EN

**BANKERS**

National Westminster Bank Plc  
5 High Street  
Bracknell  
Berkshire  
RG12 1DH

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
Liverpool  
United Kingdom

## **STRATEGIC REPORT**

The directors are pleased to present their Strategic Report for the year ended 31 December 2018.

### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review remained that of the provision of food and consumer goods testing and advisory services.

### **REVIEW OF BUSINESS AND KEY PERFORMANCE INDICATORS**

The statement of comprehensive income is set out on page 8. The directors expect performance to improve significantly over the year ahead.

As shown in the statement of comprehensive income, turnover has decreased to £11,727,000 (2017: £12,769,000), due to a combination of price reductions and the loss of some testing work for a major client. Alongside this, gross margin has reduced from 33% in 2017 to 27% in 2018, due in part to the price reductions mentioned above.

The company also won a new contract in October, which increased FTE by 20. The contract incurred start up costs in the last quarter of 2018 but anticipate profits to be generated from quarter 1 2019.

The negative impact of all this is further compounded by a 58% increase in administrative expenses, from £2,146,000 in 2017 to £3,386,000 in 2018. Most of this increase relates to group charges. Overall, we report a loss before tax for the year of £196,000, (2017: £2,080,000 profit).

Average employee numbers have increased in the year to 174 heads, for the reasons described above (2017: 169 heads).

The balance sheet shows a decrease in net assets to £11,651,000 (2017: £11,800,000) due mainly to the net loss reported for the year.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company operates in a competitive trading environment. There is continued focus on the company's product offering and its relationship with its customers and staff to manage its industry risk and the company continues to maintain an ongoing programme of investment in new equipment and technology.

Group risks are discussed in the Annual Report of the ultimate parent, SGS SA, which does not form part of this report.

The company has prepared the financial statements on a going concern basis, further details of which are given in note 1 to the financial statements.

### **POST BALANCE SHEET EVENTS**

There have been no events since the balance sheet date that require either disclosure in or adjustment to the financial statements

Approved by the Board of Directors and signed on behalf of the Board:



J. McGurk  
Director

29 March 2019

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2018. As permitted by s414c(11) of the Companies Act 2006, details of post balance sheet events are included in the Strategic Report.

### **FUTURE DEVELOPMENTS**

The directors expect the present level of activity to improve in the foreseeable future.

The company has prepared the financial statements on a going concern basis. Further details are given in Note 1 to the financial statements.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The group's activities expose it to a number of financial risks including credit risk and liquidity risk.

#### *Credit risk*

The company's principal financial assets are bank balances and cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### *Liquidity risk*

The group and company have sufficient cash reserves.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2017: £nil).

### **DIRECTORS**

The directors who served throughout the year and thereafter, unless otherwise stated are shown below:

J Griffiths - Resigned February 2019

P Earl - Resigned June 2018

J McGurk - Appointed July 2018

### **AUDITOR**

In the case of the persons who are directors of the company at the date when the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

### **APPROVAL OF REDUCED DISCLOSURES**

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

The company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

Approved by the Board of Directors and signed on behalf of the Board:

  
J. McGurk  
Director

29 March 2019

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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; 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 proper 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SGS ASHBY LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of SGS Ashby Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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).

#### **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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

#### **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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SGS ASHBY LIMITED (CONTINUED)**

### **Other information (continued)**

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 respect of these matters.

### **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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **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 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.

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 any material misstatements in the strategic report or directors' report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SGS ASHBY LIMITED (CONTINUED)**

**Matters on which we are required to report by exception**

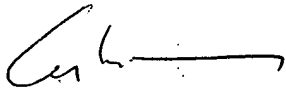
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

**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.



Giles Murphy FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Liverpool, United Kingdom  
29 March 2019

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

	Note	2018 £000	2017 £000
<b>TURNOVER</b>			
Cost of sales	3	11,727 (8,536)	12,769 (8,539)
<b>GROSS PROFIT</b>		3,191	4,230
Administrative expenses		(3,386)	(2,146)
<b>OPERATING (LOSS)/PROFIT</b>	6	(195)	2,084
Finance costs (net)	7	(1)	(4)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(196)	2,080
Tax on (loss)/profit	8	47	(405)
<b>(LOSS)/PROFIT AFTER TAXATION</b>		(149)	1,675
<b>(Loss)/profit for the financial year</b>		(149)	1,675

All of the activities relate to continuing activities.

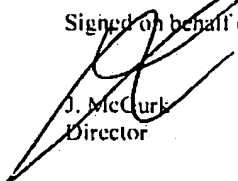
# SGS ASHBY LIMITED

## BALANCE SHEET As at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>FIXED ASSETS</b>					
Tangible assets	9		353		422
<b>CURRENT ASSETS</b>					
Stocks	10	79		79	
Debtors	11	12,176		13,822	
Cash at bank and in hand		1,075		1,015	
		13,330		14,916	
<b>CREDITORS: amounts falling due within one year</b>	12	(2,032)		(3,517)	
<b>NET CURRENT ASSETS</b>			11,298		11,399
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			11,651		11,821
<b>PROVISIONS FOR LIABILITIES</b>	14		-		(21)
<b>NET ASSETS</b>			11,651		11,800
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	15		612		612
Share premium account	15		160		160
Profit and loss account	15		10,879		11,028
<b>SHAREHOLDER'S FUNDS</b>			11,651		11,800

The financial statements of SGS Ashby Limited, registered number 06751823, were approved by the Board of Directors on 29 March 2019.

Signed on behalf of the Board of Directors

  
J. McCurk  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

	Called up Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
<b>At 1 January 2017</b>	612	160	9,353	10,125
Profit and total comprehensive income for the period	-	-	1,675	1,675
<b>At 31 December 2017</b>	612	160	11,028	11,800
Loss and total comprehensive expense for the year	-	-	(149)	(149)
<b>At 31 December 2018</b>	612	160	10,879	11,651

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 1. ACCOUNTING POLICIES

##### Company information

SGS Ashby Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled and registered in England and Wales, registration number 06751823. The registered office and principal place of business is Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN.

##### Basis of preparation

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. SGS Ashby Limited is consolidated in the financial statements of its immediate parent company, SGS SA. Copies of the financial statements of SGS SA are available from 1 Place des Alpes, B.P.2152, CH-1211 Genève 1, Switzerland, this is the registered office of SGS SA. Exemptions have been taken in these separate company financial statements in relation to financial instruments, the presentation of a cash flow statement and remuneration of key management personnel.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and in accordance with the Companies Act 2006. The principal accounting policies are summarised below.

The financial statements have been prepared in accordance with the historical cost convention and are presented in pounds sterling (£).

##### Going concern

The company's business activities, together with its performance are set out in the Strategic Report.

Based on internal forecasts and projections that take into account a reasonable range of possible trading performance, and as the result of internal restructuring within the year, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have considered the economic impact of the UK's upcoming exit from the EU and due to the existing client base and varied portfolio of services, do not expect this to have a significant impact on the future prospects of the business.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements are prepared on a going concern basis.

##### Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date Turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditor amounts falling due within one year. Amounts recoverable on contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

##### Cash flow statement

As permitted by section 7, paragraphs 1.11 and 1.12 of FRS 102 'Statements of Cash Flows', the company's cash flow statement has not been included in these financial statements. The company is a wholly owned subsidiary of SGS SA, the ultimate parent company, which produces a consolidated cash flow statement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### Property, plant and equipment

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Provision for depreciation is made so as to write off the cost of tangible fixed assets except freehold land on a straight line basis, over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

	%
Leasehold improvements	Over the term of the lease
Plant and machinery	15-25
Fixtures and fittings	15-25
Office equipment	15-25

##### Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

##### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments that are classified as payable or receivable within one year and which meet the following conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment:

1. Returns to the holder are (i) a fixed amount or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that throughout the life of the instrument is equal to a single referenced quoted or observable interest rate, or (iv) some combination of such fixed and variable rates, providing that both rates are positive.
2. There is no contractual provision that could by its terms, result in the holder losing the principle amount or any interest that is attributable to the current period or prior periods.
3. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
4. There are no conditional returns or repayment provisions except for the variable rate return described in 1 and prepayments provisions described in 3.

Other debt instruments not meeting these criteria are measured at fair value through profit or loss.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first-in first-out) method. Provision is made for obsolete, slow moving or defective items where appropriate.

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. Exchange gains or losses are included in the profit on ordinary activities.

##### **Retirement benefits**

The company operates a defined contribution pension scheme for the benefit of employees. The amount charged to the Statement of comprehensive income in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### **Leasing and hire purchase commitments**

Assets are held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over shorter of the lease terms and their useful lives. The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of comprehensive income over the period of the leases to produce a periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors have considered this and do not deem there are any Critical judgements in applying the Company's accounting policies.

##### ***Key source of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### ***Recoverability of trade debtors and unbilled revenue***

The Trade debtors of £2,089,000 (2017: £2,223,000) is recognised net of an estimated allowance for bad debts. These allowances for potential uncollectible amounts are estimated based primarily on the company's ageing policy guidelines, individual client analysis and an analysis of the underlying risk profile of each revenue stream by business and geography. Whilst a range of outcomes is reasonably possible the maximum potential reduction in trade debtors is £2,089,000 (2017: £2,223,000).



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2018**

**3. TURNOVER**

Turnover and profit/(loss) before tax are derived from the principal activity of the provision of food and consumer goods testing and advisory services.

The analysis by geographical destination of the company's turnover is set out below:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
United Kingdom	11,727	12,769
	<u>11,727</u>	<u>12,769</u>

**4. STAFF COSTS**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Staff costs for the year (including directors)</b>		
Wages and salaries	6,042	5,648
Social security costs	555	558
Other pension costs	215	213
	<u>6,812</u>	<u>6,419</u>

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

	<b>2018</b> <b>No.</b>	<b>2017</b> <b>No.</b>
Testing & advisory	111	109
Office and management	63	60
	<u>174</u>	<u>169</u>

**5. DIRECTORS' EMOLUMENTS**

The directors are executives of the main trading entity in the UK group SGS United Kingdom Limited. They are also directors of its subsidiaries SGS Baseefa Limited, SGS MIS Environmental Limited, SGS MIS Testing Limited, SGS M-Scan Limited and SGS Vitrology Limited. In addition, they are directors of the holding company SGS Holding UK Limited, and SGS United Kingdom's, sister company SGS Ashby Limited. The directors received total remuneration of £517,000 (2017: £341,000) from SGS United Kingdom Limited during the year, however it is not practicable to allocate this between their services as executives of all of the group companies. In addition, one director is accruing benefits under the SGS United Kingdom Limited group pension scheme, which is a defined benefit scheme in respect of her services to all of the group companies.

**6. OPERATING (LOSS)/PROFIT**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
The operating (loss)/profit is stated after charging:		
Depreciation	168	187
Operating lease rentals	307	317
Amount of stock recognised as an expense	-	17
Auditor's remuneration - audit of financial statements	12	12
	<u>487</u>	<u>533</u>

There were no non-audit fees payable to the auditor in the current year (2017: £nil).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2018**

**7. FINANCE COSTS (NET)**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest payable on finance leases and hire purchase contracts	<u>1</u>	<u>4</u>

**8. TAX ON (LOSS)/PROFIT**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Current tax		
UK corporation tax on profits for the year	13	426
Adjustment in respect of prior periods	(16)	-
<b>Total current tax</b>	<u>(3)</u>	<u>426</u>
Deferred tax		
Origination and reversal of timing differences	(49)	(23)
Effect of changes in tax rates	5	2
<b>Total deferred tax</b>	<u>(44)</u>	<u>(21)</u>
<b>Total tax per statement of comprehensive income</b>	<u>(47)</u>	<u>405</u>
 (Loss)/profit for the year	 <u>(196)</u>	 <u>2,080</u>
Tax on (loss)/profit at standard UK tax rate of 19.25% (2017: 19.25%)	(38)	400
Effects of:		
Expenses not deductible	2	3
Tax rate difference	5	2
Adjustment from prior periods	(16)	-
<b>Tax (credit)/charge for the year</b>	<u>(47)</u>	<u>405</u>

Finance Act 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020.

Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. There is no expiry date on timing differences, unused tax losses or tax credits.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2018**

**9. TANGIBLE ASSETS**

	Leasehold improve- ments £000	Plant & machinery £000	Fixtures and fittings £000	Office equipment £000	Total £000
<b>Cost</b>					
At 1 January 2018	306	1,060	88	115	1,569
Additions	-	52	-	47	99
At 31 December 2018	306	1,112	88	162	1,668
<b>Depreciation</b>					
At 1 January 2018	239	755	58	95	1,147
Charge for year	12	122	15	19	168
At 31 December 2018	251	877	73	114	1,315
<b>Net book value</b>					
At 31 December 2018	55	235	15	48	353
At 31 December 2017	67	305	30	20	422
Leased assets included above:					
<b>Net book value</b>					
At 31 December 2017	-	36	-	-	36
At 31 December 2018	-	-	-	-	-

Leased assets are the subject of a fixed charge in favour of the lease provider

**10. STOCKS**

	2018 £000	2017 £000
Raw materials and consumables	79	79

There is no material difference between the balance sheet value of stocks and their replacement cost.

**11. DEBTORS**

	2018 £000	2017 £000
Trade debtors	2,089	2,223
Other debtors	217	216
Deferred tax (note 14)	23	-
Gross amount due from customers for contract work	900	1,013
Amounts owed by group undertakings	8,947	10,370
	12,176	13,822

All amounts are due within one year. Amounts due from group undertakings are repayable on demand. No interest is charged on these balances.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2018**

**12. CREDITORS: amounts falling due within one year**

	2018 £000	2017 £000
Trade creditors	459	420
Net obligations under finance leases and hire purchase contracts	-	4
Corporation tax	11	223
Other taxes and social security	349	382
Other creditors	-	-
Accruals and deferred income	487	759
Amounts owed to group undertakings	726	1,729
	<u>2,032</u>	<u>3,517</u>

Amounts due to group undertakings are repayable on demand. No interest is charged on these balances.

Leased assets are the subject of a fixed charge in favour of the lease provider

**13. FINANCIAL COMMITMENTS**

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

	2018 £000	2017 £000
<b>Land and buildings</b>		
Within one year	301	204
Between one and five years	939	375
After five years	-	62
	<u>1,240</u>	<u>641</u>

**14. DEFERRED TAX**

The movement in deferred tax in the year is as follows:

	2018 £000	2017 £000
Provision at start of year	21	42
Credit for the year	(44)	(21)
(Asset)/ provision at end of year	<u>(23)</u>	<u>21</u>

As SGS Ashby limited is part of the wider SGS United Kingdom tax group, which is anticipated to make future profits subject to tax, the full deferred tax asset is considered to be recovered in full within the next 12 months.

The provision at the end of the year comprises:

	2018 £000	2017 £000
Accelerated capital allowances	4	21
Other short term timing differences	(27)	-
	<u>(23)</u>	<u>21</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2018**

**15. CAPITAL AND RESERVES**

	2018 £000	2017 £000
Authorised, allotted, called-up and fully paid 611,600 ordinary shares of £1 each	612	612

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – represents the payments for shares in excess of the nominal issue value.

Profit and loss account – includes all current and prior period retained profits and losses, net of dividends paid.

**16. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions provided by FRS 102 section 33 'Related Party Disclosures' and has not disclosed details of transactions with members of the SGS SA group of companies, as all transactions are with members of the group who are 100% owned subsidiaries of SGS SA.

**17. DEFINED CONTRIBUTION RETIREMENT BENEFIT SCHEME**

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The total expense charged to profit or loss in the year ended 31 December 2018 was £215,000 (2017: £213,000).

**18. ULTIMATE AND IMMEDIATE PARENT COMPANY**

The immediate parent undertaking of SGS Ashby Limited is SGS United Kingdom Limited a company incorporated in England, copies of the financial statements are available at SGS United Kingdom Limited, Rossmore Business Park, Ellesmere Port, Cheshire, CH65 6EN. This is the registered office of SGS United Kingdom Limited. The ultimate parent company and controlling party of SGS Ashby Limited is SGS SA, a company incorporated in Switzerland.

The parent undertaking of the smallest and largest group which includes the company for which group financial statements are prepared is SGS SA. Copies of the financial statements of SGS SA are available from 1 Place des Alpes, B.P.2152, CH-1211 Genève 1, Switzerland, this is the registered office of SGS SA.