

Brintons Carpets Limited

Report and financial statements

Year ended

28 September 2019

Company number: 07749331



Brintons Carpets Limited

Annual report and financial statements for the year ended 28 September 2019

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Country of incorporation of parent company:	England
Date of incorporation of parent company:	23 August 2011
Legal form:	Limited by shares
Registered office:	Brintons Carpets Limited, Stourport Road, Kidderminster, Worcestershire, DY11 7PZ
Company number:	07749331
Directors:	D L S Baldi A J Edwards T Osman J Schnoedl J G Del Toro D G Hall G Colando
Auditor:	BDO LLP, Two Snowhill, Birmingham, B4 6GA

Brintons Carpets Limited

Chief Executive's statement for the year ended 28 September 2019

Chief Executive's Statement

Results for the year to 28 September 2019.

Overview

A continued improvement in gross and net margins offset the reduction in sales, specifically across Europe and the Far East. The uncertainty over Brexit impacted currency rates, with Sterling fluctuating throughout the year against our major trading currencies. These short term changes to Sterling make it difficult to price contracts which, by their custom nature are longer term. A higher second half year order book resulted in a stronger performance which we will carry through to the new financial year. In summary our key financial indicators for the year reflected gross income (including other operating income) at £80.6m (2018 - £86.8m), gross margins at 47% (2018 - 46%), EBITDA of £15.9m (2018 - £17.6m), and a net margin of 20% (2018 - 21%).

On a local currency basis we continued our growth in the US winning a number of notable successes including the new Las Vegas Convention Centre amongst others. There was also a strong pipeline of cruise ship refurbishments. The Australian market also witnessed some strong growth with a number of new Sydney waterfront hotels in our portfolio of successes. We consolidated our development of the marine sector landing a number of new builds across the European shipyards. Within residential we expanded our Polish rugs business, delivering year on year growth with significantly improved margins, and have now introduced new woollen products into the UK and Irish markets. In the UK, trading conditions for retailers continued to be challenging with leading chains losing market share to independents; with the introduction of new products and range relaunches we expect to drive growth in the forthcoming year.

Manufacturing and investment strategy

Our recent manufacturing investment has focused on improving gross margins by consolidating a greater share of our weaving production across our overseas plants, as it remains essential to drive down costs to deliver a competitive offering. In September we announced the forthcoming closure in May 2020 of our yarn processing plant in Telford as we transfer this across to our other plants in Portugal and Poland. This represents a significant investment in capital and labour over the next two years and will further reduce costs and improve working capital as our supply chain becomes more efficient. Our High Definition Weave technology available in all our weaving plants, offers customers a unique industry choice of up to 32 individual colours from a single weave, with competitive lead times. Our global facilities combined with commercial offices in all key regions delivers an advantage over many of our competitors in the service we can offer to our customers.

Market conditions

As indicated last year, the prospective trade dispute between the US and China materialised and has created uncertainty with higher tariffs imposed on carpet imports from China into the US. As a non China producer we remain ideally placed to continue to offer a competitively priced product. With lower rates on US corporation tax, the macroeconomic climate remains strong in the US with a buoyant hospitality sector. Conversely Brexit uncertainty has impacted on capital projects both in the UK and across mainland Europe, with a weaker UK high street sector reflecting lower consumer confidence.

Our employees

We continued our investment in key senior management, appointing a highly experienced flooring specialist as our new president of US operations as we look to spearhead product growth in the US market. Further streamlining of our UK manufacturing scheduled for 2020, has resulted in difficult choices being made but at all times Brintons maintains its commitment to acting fairly with its workforce to bring about these necessary changes. We maintain our focus to manufacture the finest quality product, inspirationally designed, that is available in the market and we acknowledge the skill and commitment across all our sites by our staff to bring this to fruition.

Brintons Carpets Limited

Chief Executive's statement for the year ended 28 September 2019 (*continued*)

Prospects for the year to 27 September 2020

With the forthcoming transfer of yarn production from our Telford plant to our other European sites during the year we are committing heavily to capital projects which will result in lowering our cost of manufacturing to improve gross margin and improve lead times. We firmly believe that in a global market we need to continue to look ahead to ensure we are best structured to maximize our market share. Together with other key initiatives and the stronger order book into 2020, we expect an improvement across our key indicators.



D L S Baldi
Chief Executive Officer

Date: 17 December 2019

Brintons Carpets Limited

Strategic report for the year ended 28 September 2019

The directors present their strategic report together with the audited financial statements for the year ended 28 September 2019.

Principal activities

The Group's principal activity is the manufacture and sale of high quality machine woven carpets and rugs for commercial and residential markets. Brintons is a vertically integrated business, spinning wool and dyeing yarn prior to weaving bespoke carpets and rugs.

The Group's head office is in Kidderminster, with additional manufacturing in Telford, UK. It has manufacturing operations in India, Portugal and Poland and subsidiary companies with sales offices in the USA, Australia and Poland, plus representative offices in Singapore and the United Arab Emirates.

The Group markets its products worldwide primarily through its own network of sales representatives, in conjunction with agents and distributors.

Review of business

The Directors have maintained their focus on the key drivers of the Group's business and are continuing to:

- maintain and strengthen the Group's strong customer and supplier relationships,
- optimise its manufacturing facilities and processes,
- innovate and develop its products,
- optimise all areas of expenditure.

Key performance indicators

The Board monitors a range of financial key performance indicators on a monthly basis so as to measure performance against expected targets. During the period KPI's included the following:

	2019 £'000	2018 £'000
Gross income (including other operating income)	80,633	86,761
Gross margin %	46.7%	45.9%
EBITDA	15,911	17,558
EBITDA margin %	20.4%	20.6%
Profit after tax	2,869	10,308

Brintons Carpets Limited

**Strategic report
for the year ended 28 September 2019 (continued)**

Principal risks and uncertainties

The Group's operations expose it to a variety of risks. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by monitoring levels of debt finance and related finance costs. In the opinion of the directors, the principal risks and uncertainties facing the business are:

Global market performance:

The Group's sales rely on its customers making capital investments in their operations; these investments can vary according to market conditions and impact the Group's income and profit.

Maintaining market share:

The Group operates across a global footprint with a number of competitors. The Group must maintain good customer relations with quality and service being of paramount importance.

Raw material prices:

The Group primarily uses two major raw materials, wool and specialist nylon fibres. The Group is therefore exposed to market fluctuations in these materials.

Exchange rate movements:

The Group trades in six main currencies, Pound Sterling, US Dollars, Euros, Australian Dollars, Indian Rupee and Polish Zloty. The Group is therefore exposed to fluctuations in the exchange rates of these currencies.

Forecasts and facilities:

The directors are satisfied the Group's trade forecasts, together with its current level of funding and facilities, provide a sound basis for continued trading in the twelve months following the date of this report.

Financial risk management policies and objectives:

Information on financial risk management objectives and policies are included in the report of the directors on page 5.

Future developments

See Chief Executive's statement

On behalf of the Board



**A J Edwards
Director**

17 December 2019

Brintons Carpets Limited

Report of the directors for the year ended 28 September 2019

The directors present their report together with the audited financial statements for the year ended 28 September 2019.

The review of the business, key performance indicators, future developments and the principal risks and uncertainties are shown in the Chief Executive's statement and the strategic report.

Results and dividends

The income statement is set out on page 11 and shows the profit for the year.

The directors do not recommend the payment of a dividend (2018 - £Nil).

Accounting reference date

The formal year end of the Company is 30 September but as allowed by company law the directors select a closing date each year that better fits with the business.

Financial risk management objectives and policies

The Group's principal financial liabilities comprise bank loans and trade payables.

In the course of its business, the Group is exposed to a number of financial risks, including market risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. The Board of Directors reviews and establishes policies for managing each of these risks which are summarised below:

Market risk

The Group is exposed to risk from movements in interest rates, foreign currency exchange rates and market prices that affect its assets, liabilities and raw materials. The objective of market risk management is to manage and control market risk exposures, while optimising the return on the risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group borrows on both a fixed and variable rate basis. Variable rate loans, both external and shareholder are based on EURIBOR, WIBOR and LIBOR rates; these variable rate loans account for 98% of external debt (2018: 87%) and 96% of total loans (2018: 98%). The Group monitors interest rates and may use instruments to hedge such risks.

Foreign currency risk

The Group's exposure to currency risk relates to sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions and balances primarily denominated are US dollars, Euros, Australian dollars, Indian Rupee and Polish Zloty. The Group seeks to bring its financial liabilities in foreign currencies in line with its assets and export net sales, thus mitigating currency risk.

Liquidity risk

Liquidity risk arises when the Group encounters difficulties to meet commitments associated with liabilities and other payment obligations. It manages this risk by always having sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. At present, the Group believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable payment obligations.

Brintons Carpets Limited

Report of the directors for the year ended 28 September 2019 (continued)

Credit risk

Credit risk is the potential exposure of the Group to losses should the Group's debtors fail to pay amounts due. Financial instruments that potentially expose the Group to credit risk consist primarily of cash and trade accounts receivable. The credit risk arising from the Group's normal commercial operations is controlled by each individual Company within the Group using Group-approved procedures for evaluating the reliability and solvency of each customer, including receivable collection. This monitoring activity is performed at the Group level according to set guidelines and measurement techniques to qualify and monitor credit risk. It also maintains insurance cover to mitigate against bad debt risks.

Equal opportunities

The Group is committed to a policy of providing equal opportunities for all, regardless of gender, race, religion, disability, sexual orientation or political views. All employees are made aware of this policy and it is a condition of employment that this policy is observed by all employees of the Group, regardless of where in the world they are employed. The Group periodically carries out diversity training to help maintain these standards.

Research and development

The business continues to invest in strategic operational and new product developments in line with IFRS accounting standards, these development costs have been capitalised to the statement of financial position accordingly.

Events after the reporting period

There were no significant events after the reporting period.

Employee involvement

The flow of information to employees and their involvement in driving the business forward continues to play an important role within the Group.

- The CEO delivers a personal address to all UK employees on a regular basis with interactive Q&A sessions. This same briefing is disseminated throughout the Group via the divisional heads to ensure the continuity of message.
- In addition to formal communications and involvement, directors and members of the management team regularly visit operating sites and sales offices or meet with staff via audio visual conferencing links.
- The Company seeks to promote a culture of achievement and has measures in place to recognise and reward employees for their results and efforts.

Directors

The directors of the Company during the year were:

D L S Baldi
A J Edwards
T Osman
J Schnoedl
D G Hall
G Colando
J G Del Toro

Brintons Carpets Limited

Report of the directors for the year ended 28 September 2019 (*continued*)

Directors' responsibilities

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 year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. The directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS101 'Reduced Disclosure Framework' ('FRS101') 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union and applicable UK Accounting Standards, 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.

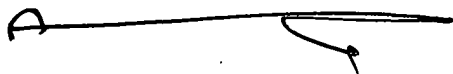
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office this will be discussed in due course by the Group's Audit Committee.

By order of the Board



A J Edwards
Director

17 December 2019

Brintons Carpets Limited

Independent auditor's report For the year ended 28 September 2019

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF BRINTONS CARPETS LIMITED

Opinion

We have audited the financial statements of Brintons Carpets Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 28 September 2019 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 28 September 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent 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.

Brintons Carpets Limited

Independent auditor's report For the year ended 28 September 2019 (continued)

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.

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 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 the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 determines 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Brintons Carpets Limited

Independent auditor's report For the year ended 28 September 2019 (continued)

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

blo LF

Thomas Lawton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham

17 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Brintons Carpets Limited

Consolidated income statement for the year ended 28 September 2019

	Note	2019 £'000	2018 £'000
Gross revenue	3	79,953	86,761
Allowances	1	(1,776)	(1,607)
Net revenue		78,177	85,154
Cost of sales		(41,705)	(46,042)
Gross profit		36,472	39,112
<i>Gross profit %</i>		<i>46.7%</i>	45.9%
Administrative expenses		(31,111)	(27,612)
Other operating income	4	680	-
Profit from operations	6	6,041	11,500
<i>Comprising:</i>			
EBITDA*		15,911	17,558
Depreciation, amortisation and impairments		(4,880)	(4,486)
Exceptional items	5	(4,416)	(1,572)
Other non-underlying items	5	(574)	-
Finance expense – non cash on shareholder loans	9	(1,502)	(2,291)
Finance expense – other	9	(425)	(578)
Finance income	9	215	32
Profit before tax		4,329	8,663
Taxation	10	(1,460)	1,645
Profit after tax		2,869	10,308

* EBITDA is earnings before interest, tax, depreciation/amortisation, impairments, exceptional and non-underlying items. Non-underlying items are items which the directors consider, at their discretion, are non-recurring but not able to be disclosed as exceptional items.

Brintons Carpets Limited

Consolidated statement of other comprehensive income for the year ended 28 September 2019

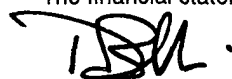
	Note	2019 £'000	2018 £'000
Profit after tax		2,869	10,308
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		743	(1,312)
<i>Items that will not be reclassified to profit or loss</i>			
Gain on revaluation of land and buildings		-	19,457
Tax movement from current and prior years	23	855	(3,856)
Other comprehensive income for the year, net of tax		1,598	14,289
Total comprehensive income		4,467	24,597

Brintons Carpets Limited

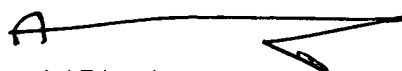
Consolidated statement of financial position as at 28 September 2019

<i>Company number 07749331</i>	Note	28 September 2019 £'000	29 September 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	45,887	45,503
Goodwill and intangible assets	12	6,426	6,357
Deferred tax assets	14	882	2,320
		53,195	54,180
Current assets			
Assets held for resale under financing arrangements	15	-	15,435
Inventories	16	10,907	10,348
Trade and other receivables	17	22,938	18,054
Cash and cash equivalents		11,449	5,963
		45,294	49,800
Total assets		98,489	103,980
Equity and liabilities			
Issued capital and reserves attributable to owners of the parent			
Share capital	21	13,243	13,243
Foreign exchange reserve	22	(1,223)	(1,966)
Revaluation reserve	22	4,630	15,601
Retained earnings	22	21,662	6,967
Total equity		38,312	33,845
Non-current liabilities			
Other loans and borrowings	19	2,932	1,444
Obligations under finance leases	20	1,567	2,098
Other payables	19	619	497
Shareholder loans	19	22,929	36,087
Provisions	23	5,492	6,502
		33,539	46,628
Current liabilities			
Trade and other payables	18	23,682	20,770
Loans and borrowings	18	2,374	2,006
Obligations under finance leases	18	582	731
		26,638	23,507
Total liabilities		60,177	70,135
Total equity and liabilities		98,489	103,980

The financial statements were approved by the Board of Directors on 17 December 2019 and were signed on its behalf by:



D L S Baldi
Director



A J Edwards
Director

Brintons Carpets Limited

Consolidated statement of cash flows for the year ended 28 September 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the year	2,869	10,308
Adjustments for:		
Depreciation of property, plant and equipment	3,638	3,533
Impairment	347	521
Loss/(profit) on disposal of fixed assets	344	(35)
Amortisation of intangible fixed assets	655	467
Finance income	(215)	(32)
Finance expense	1,927	2,869
Income tax	1,460	(1,645)
Net cash flow from operating activities before movements in working capital	11,025	15,986
Change in working capital	613	(5,141)
Cash generated from operations	11,638	10,845
Income taxes paid	(576)	(634)
Finance income received	215	32
Finance costs paid	(425)	(578)
Net cash flows from operating activities	10,852	9,665
Investing activities		
Purchases of property, plant and equipment	(2,464)	(1,121)
Purchase of intangibles	(750)	(1,664)
Receipt from sale of PPE (continuing operations)	10,921	66
Net cash from/(used) in investing activities	7,707	(2,719)
Financing activities		
Net movement in Shareholder loans	(14,660)	(5,888)
Net movement in other loans	1,875	(632)
Payments to finance lease creditors	(673)	(978)
Net cash used in financing activities	(13,458)	(7,498)
Currency translation differences relating to cash and cash equivalents	385	26
Net increase/(decrease) in cash and cash equivalents	5,486	(526)
Cash and cash equivalents at beginning of year	5,963	6,489
Cash and cash equivalents at end of year	11,449	5,963

Brintons Carpets Limited

Consolidated statement of changes in equity for the year ended 28 September 2019

	Share capital £'000	Foreign exchange reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total Equity £'000
1 October 2017	13,243	(654)	-	(3,341)	9,248
Profit for the year	-	-	-	10,308	10,308
Other comprehensive income	-	(1,312)	15,601	-	14,289
Total comprehensive income for the year	-	(1,312)	15,601	10,308	24,597
29 September 2018	13,243	(1,966)	15,601	6,967	33,845
Profit for the year	-	-	-	2,869	2,869
Realised gain on asset disposal	-	-	(11,826)	11,826	-
Other comprehensive income	-	743	855	-	1,598
Total comprehensive income for the year	-	743	(10,971)	14,695	4,467
28 September 2019	13,243	(1,223)	4,630	21,662	38,312

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019

1 Accounting policies

Basis of preparation

Brintons Carpets Limited is a private company limited by shares, incorporated and domiciled in the UK. The Brintons Carpets Group comprises operations in United Kingdom, United States of America, Australia, India, Poland and Portugal. It also has representative offices in the United Arab Emirates and Singapore. The Group's activity is the manufacture and sale of high quality machine woven carpets and rugs.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historic cost accounting rules except for the accounting of its investment property. The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards.

The consolidated financial statements are presented in Pound Sterling (£), which is also the Group's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

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

Going concern

The directors have prepared a detailed cash flow forecast to 31 December 2020 which shows that the Group will be able to trade within its agreed facilities. On this basis the directors are satisfied that it is appropriate to continue to prepare the accounts of the Group on a going concern basis.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (*continued*)

1 Accounting policies (*continued*)

New standards, interpretations and amendments

- ***IFRS 9 Financial Instruments;***

This standard is effective from the Group's current financial year and it revises the approach to financial instruments framework replacing IAS 39 Financial Instruments: Recognition and Measurement. The classification and measurement of the Group's financial instruments are not materially impacted upon adoption of IFRS 9 and no adjustment to prior year has been required on the adoption of the standard.

- ***IFRS 16 Leases;***

IFRS 16 is effective from periods beginning on or after 1 January 2019 and replaces IAS 17 'Leases'. It removes the classification of leases as either operating leases or financial leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the statement of financial position, with exemption for low value and short-term leases. Early adoption is permitted, however the Group have decided not to early adopt.

The actual impact of adopting the standard may vary as the new accounting policies are subject to change until the Group presents its first financial statements following the date of initial application. The Group is planning to adopt IFRS 16 on 29 September 2019 using the modified retrospective approach as defined by the standard.

Based on information currently available, the Group estimates that it will recognise additional lease assets and liabilities of £1.4m as at 27 September 2020 and IFRS 16 will increase the Group's EBITDA by £0.5m.

There are a number of further standards, interpretations and amendments and to be published standards not set out above which the directors consider are either not material or will not be relevant to the Group.

Basis of consolidation

The consolidated financial statements incorporate the results of Brintons Carpets Limited and all of its subsidiary undertakings. The acquisition method of accounting was used to consolidate all subsidiary companies. Results of subsidiaries acquired or disposed of during a period are included in the consolidation from the date of acquisition or up to the date of disposal. The consideration transferred in the acquisition and the net assets acquired are measured at fair value. Transaction costs are expensed as incurred except if related to the issue of debt or equity securities.

Intra group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

1 Accounting policies *(continued)*

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Any gain on a bargain purchase is recognised in profit and loss immediately. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for amortisation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The directors have, in considering impairment of goodwill, reviewed the operating activities and structure of the Group and considers the goodwill is attributable to a single cash generating unit related to Brintons Agnella Sp. z.o.o.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

All other intangible assets are included at their fair value which is reviewed on a regular basis. These comprise software licences, patents and trademarks, new product and technological developments.

Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the intangible asset. Brand is amortised over 25 years and patents, trademarks, computer software and development costs over 2 – 20 years. Amortisation commences from the date the intangible asset becomes available for use.

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the products developed. The amortisation expense is included within depreciation, amortisation and impairments in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

1 Accounting policies (continued)

Impairment of intangible assets

The Group reviews the carrying amount of assets on a regular basis to determine if there is any indication of impairment losses. Any impairment loss is included within depreciation, amortisation and impairments in the statement of comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold and leasehold land and buildings are subsequently carried at fair value, based on periodic valuations by an independent professional valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Land	-	Not depreciated
Freehold property	-	2.5% per annum on historical cost
Leasehold land and buildings	-	Over length of lease
Plant and machinery	-	4%-50% per annum

At the date of revaluation, the accumulated depreciation is eliminated against the gross amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold land and buildings, over the amount that would have been charged on a historical basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income.

An impairment review is conducted where there is an indication of significant changes. The expense is included within depreciation, amortisation and impairments in the statement of comprehensive income.

Sale and leaseback arrangements

The accounting of these transactions follows the requirements of IAS 17 for operating leases with lease costs recognised in the profit and loss account as incurred.

Any profit or loss on sale is treated as follows:

- where transaction is clearly carried out at fair value; the profit or loss is recognised immediately
- where sale price is below fair value; profit or loss is recognised immediately, except if a loss is compensated for by future rentals at below market price, then the loss should be amortised over the period of use
- where the sale price is above fair value - the excess over fair value is deferred and amortised over the period of use
- if the fair value at the time of the transaction is less than the carrying amount – a loss equal to the difference should be recognised immediately

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (*continued*)

1 Accounting policies (*continued*)

Inventories

Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition as follows:

- raw materials - purchase cost determined on a weighted average basis; and
- work in progress and finished goods - cost of direct materials and labour plus a measure of attributable overheads which is based on the normal level of activity of the business.

Net realisable value is based on estimated selling price less additional costs to complete and disposal costs.

Financial assets

The Group classifies its financial assets into the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its liabilities as being held at fair value through profit or loss or through other comprehensive income. The Group's accounting policy is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within allowances in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

1 Accounting policies *(continued)*

Amortised cost (continued)

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

The Group classifies its financial liabilities into the categories depending on the purpose for which the liability was acquired. The Group has not classified any of its liabilities as being held at fair value through profit or loss. Financial liabilities include the following items:

Borrowings

Borrowings are initially recognised at their fair value, net of the associated finance costs, and thereafter at amortised cost. The associated finance costs are amortised to profit or loss over the life of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period end date.

Trade payables and short term liabilities

Trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Provisions

Provision is made for product warranty claims and legal claims when the Group has a present obligation as a result of past events, and it is more likely than not that an outflow of economic benefits will be required to settle the obligated and the amount can be reliably estimated.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base.

Deferred taxes are calculated at the enacted or substantively enacted tax rates that are expected to apply when the asset or liability is settled. Deferred taxes are charged or credited to the consolidated income statement except when it relates to items credited or charged directly to equity in which case deferred taxes are also recognised directly in equity.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

1 Accounting policies *(continued)*

Revenue

Performance obligations and timing of revenue recognition

The Group records certain contracts on an over-time basis and other contracts on the point in time basis.

For the contracts that are recorded over time revenue and margin is recognised at three key stages of the contract process that are considered to match the stage of completion of each contract. The key stages are: (1) the yarn dyeing stage when the product moves to a state that has no alternative use to the Group where 60% of revenue and margin is recorded; (2) the unfinished stage when the product is prepared on the looms where 90% of revenue and margin are recognised; and (3) the finished stage when the product is fully complete and ready for despatch where 100% of revenue and margin is recognised.

For contracts that are recorded at a point in time revenue is recognised at the date that goods are delivered to the customer.

A small minority of contracts are negotiated on a bill and hold basis. In such arrangements revenue is recognised even though the Group still has physical possession only if:

- the arrangement is substantive (i.e. requested by the customer);
- the finished goods have been identified separately as belonging to the customer; and
- the product is ready for physical transfer to the customer; and the Group does not have the ability to use the product to direct it to another customer.

Some goods sold by the Group include warranties which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. On some product lines, a customer is able to take out extended warranties. These are accounted for as separate performance obligations, with the revenue earned recognised on a straight-line basis over the term of the warranty.

Allowances

Allowances comprise of costs which are directly attributable to generating gross revenue invoiced to customers. These include agents' commissions, sales volume rebates, design royalties and provisions against trade receivables.

Exceptional and non-underlying items

Exceptional items are charges or credits incurred which are material by virtue due to their size or incidence and are not expected to be recurring.

Non-underlying items are material non-trading or non-recurring income and costs as defined by the directors. They are disclosed separately in the income statement where in the opinion of the directors such disclosure is necessary in order to fairly present the results for the period.

Further commentary on exceptional and non-underlying items is included within note 5.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

1 Accounting policies (continued)

Foreign currency

Transactions entered into by Group entities in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss in the statement of comprehensive income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income and are credited/(debited) to the foreign exchange reserve.

Employee benefits

The Group does not have any defined benefit pension plans.

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

The Group records the obligations connected to other post-retirement benefits (such as long term awards) payable by the Group on a basis that reflects the expected costs of the service awards discounted to a net present value.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions 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.

Judgements:

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of the trading entities have been determined based on value in use estimations. The use of this method requires the estimation of the net present value of future cash flows expected to arise from the continuing operation of the entities using an appropriate discount rate.

Impairment of assets

Tangible and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted the recoverable amount of the assets is based on the net present value of future cash flows expected to arise from the continuing operation of the assets using an appropriate discount rate. The continued transition of the Group's manufacturing footprint to its well established overseas manufacturing facilities has led to the directors undertaking a detailed review of plant and machinery. An impairment adjustment has been transacted accordingly.

Useful lives of assets

Tangible and intangible assets are depreciated or amortised over their estimated useful economic lives based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness.

Income taxes

The Group recognises expected assets and liabilities for income and deferred taxes based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax provisions in the period when such determination is made.

Estimates:

Measurement of deferred tax assets

The Group has potential deferred tax assets, principally in the form of tax losses but deferred tax assets are only recognised to the extent it is probable that sufficient future taxable income will be available against which the losses and deductions can be utilised. Recognition therefore involves assessment of the future performance of the particular legal entity in which the deferred tax asset has been recognised. Deferred tax assets in respect of losses recognised at the balance sheet date are based on the assumption that there is a high expectation that the asset will be realised in due course

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

2 Critical accounting estimates and judgements (continued)

Inventory and trade debtor provisions

Group inventory and trade debtor levels are constantly reviewed and, should there be an indication of impairment or obsolescence, the inventory is written down to its assessed net realisable value. Debtors are reviewed on a case by case basis and impaired accordingly.

Legal claims

The directors have been actively managing an ongoing investigation connected to the charging of duty on specific sales transactions prior to period of ownership in an overseas business. Management have assessed the exposure to any potential liability through detailed reviews performed by the Company tax and legal advisors, as well as ongoing discussions with the relevant tax authority

Warranty

The Group accrues for the estimated cost of warranty claims on its products. The directors estimate warranty costs by reference to actual historical claims and projections of future warranty claims.

3 Revenue

Revenue is solely attributable to the Group's principal activity. In the opinion of the directors, an analysis of revenue by geographical destination would be prejudicial to the interests of the Group for commercial reasons and therefore no disclosure has been made. See note 1 for additional information regarding accounting policies for IFRS 15.

Disaggregation of revenue

The Group has disaggregated revenue into the following categories; which is intended to depict how the nature, amount, timing and uncertainty of revenue and cashflows are affected by economic factors.

Timing of transfer of goods and services	2019 £'000	2018 £'000
Point in time	16,463	84,435
Over time	63,490	2,326
	79,953	86,761

The over time sales in the prior year reflect the fact that full compliance with the over time requirements of IFRS 15 was not achieved until close to the previous year end.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

4 Other operating income

Other operating income was recognised during the year as follows:

	2019 £'000	2018 £'000
Insurance claim	580	-
Research and Development Expenditure Credits (RDEC)	100	-
	680	-

Insurance claim proceeds for business interruption have been recognised during the year. This primarily relates to a fire in one of the Group's factories which resulted in disruption in the supply chain and damage to machinery.

Research and development expenditure credit is a UK government incentive designed to reward innovative companies for investing in research and development (R&D). This claim covers the period from October 2018 to September 2019.

5 Exceptional and non-underlying items

	2019 £'000	2018 £'000
Exceptional items		
Redundancy costs ^(a)	(1,393)	(658)
Site closure costs ^(b)	(1,413)	-
Onerous lease ^(c)	(459)	-
Restructuring ^(d)	(1,119)	(739)
Legal and professional fees (non-recurring) ^(e)	(250)	(535)
Research and Development Expenditure Credits ^(f)	218	-
Indian tax provision release	-	360
	(4,416)	(1,572)
	2019 £'000	2018 £'000
Non-underlying items		
Legal and professional fees ^(g)	(139)	-
Discontinued ranges ^(h)	(161)	-
Sale and leaseback rentals ⁽ⁱ⁾	(274)	-
	(574)	-

- (a) Redundancy costs primarily relate to a provision for costs relating to the Telford factory closure scheduled for April 2020. This closure was announced in September 2019 with the costs to be incurred and paid during the year ended 27 September 2020.
- (b) Following the cessation of weaving in Kidderminster in June 2018 and the downsizing and ultimate planned closure of Telford, the business has incurred cost of site clearance and dilapidations.
- (c) An onerous lease provision was recognised in the year for factory lease costs from the date of anticipated site closure until the expected site vacation date.
- (d) The strategy of transitioning UK manufacturing processes to our overseas facilities has continued during the year. The business continues to focus on improving margins, optimisation of working capital and improved service levels. This has resulted in increased exceptional costs as the transition continues.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

5 Exceptional and non-underlying items *(continued)*

- (e) During the year the business incurred a number of non recurring legal and professional fees which the directors define as exceptional costs in order to fairly represent the underlying results for the year.
- (f) Research and development expenditure credit is a UK government incentive designed to reward innovative companies for investing in research and development (R&D). The Group has made a retrospective claim covering the period from October 2016 to September 2018. A tax refund has been received from HMRC for these 2 years.
- (g) The Group incurred professional fees during the period associated with reorganising its 'go to market' strategy in the US. These costs primarily relate to fees associated with the recruitment of a president in the US business.
- (h) The Group discontinued further ranges during the year. This related to a further cessation of the synthetic rug offering in Poland. The directors consider this non-underlying as this discontinuation process is now complete.
- (i) The Group incurred sale and leaseback costs in the period on the Telford site. Although the £274k is proportionate to the site manufacturing utilisation, the directors are of the opinion this is a non-underlying cost as it is a short term lease, the Group will cease manufacturing on this site in April 2020 and plan to vacate in line with the lease agreement in December 2020.

6 Profit from operations

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	(3,638)	(3,533)
Amortisation of intangible assets	(655)	(467)
Impairment of property, plant and equipment	(347)	(521)
Profit / (loss) on disposal of assets	(344)	35
Foreign exchange gains	(187)	(160)
Operating lease expense:		
- Plant and machinery	256	313
- Property	550	581

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

7 Employee benefit expenses

	2019 £'000	2018 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	21,859	22,539
Social security contributions and similar taxes	1,594	1,729
Defined contribution pension cost	1,019	1,040
	24,472	25,308

The number of employees (including directors) at the end of the year was as follows:

	2019 Number	2018 Number
Production	1,368	1,385
Sales, marketing, distribution and design	259	260
Administration and finance	42	41
	1,669	1,686

Directors' remuneration

	2019 £'000	2018 £'000
Salary	471	528
Company contributions to money purchase pension schemes	19	19
	490	547

There were 7 serving directors during the year (2018 – 8).

There were 2 (2018 – 2) directors in the Group's defined contribution pension scheme during the year.

The total amount payable to the highest paid director in respect of emoluments was £275,358 (2018 - £276,772). Company pension contributions of £Nil (2018 - £Nil) were paid to a money purchase scheme on their behalf.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, these are considered to be the directors. The total amount payable to key management personnel during the year was £490,000 (2018 - £547,000).

National Insurance contributions were made in respect of the directors of £62,093 (2018 - £65,313).

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

8 Auditors remuneration

	2019 £'000	2018 £'000
Fees paid to the Group Auditors for the audit of the consolidated financial statements		
Fees payable to the Group's auditors in respect of:		
- audit of the Company's annual accounts	78	63
- audit of the Company's subsidiaries annual accounts	41	62
- taxation services	-	20
- other	28	16

9 Finance income and expense

Recognised in profit or loss

	2019 £'000	2018 £'000
Finance income		
Interest received on bank deposits	(76)	(32)
Other	(139)	-
Total finance income	(215)	(32)
Finance expense		
Finance leases (interest portion)	217	87
Bank loans and overdrafts	102	65
Arrangement fees and charges	106	148
Other	-	278
Interest on shareholder loans	1,502	2,291
Total finance expense	1,927	2,869
Net finance costs recognised in profit or loss	1,712	2,837

Arrangement fees and charges are costs incurred in obtaining loan financing and financial instruments. Arrangement fees are amortised over the respective lifetime of the loan.

Interest on shareholder loans has been accrued for the year.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

10 Taxation

	2019 £'000	2018 £'000
Current tax		
Current year UK	-	87
Current year overseas	529	550
Adjustment in respect of prior periods	(188)	-
Total current tax	341	637
Deferred tax		
Current year deferred tax	1,073	(2,282)
Adjustment in respect of prior periods	46	-
Total deferred tax	1,119	(2,282)
Total tax	1,460	(1,645)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2019 £'000	2018 £'000
Profit for the year	2,869	10,308
Income tax expense / (credit)	1,460	(1,645)
Profit before income taxes	4,329	8,663
Tax using the company's domestic tax rate of 19% (2018 - 19%)	823	1,646
Fixed asset differences	698	-
Effect of different tax rates	-	263
Items non-deductible or non-taxable for tax purposes	311	268
Research and development expenditure credits	(45)	-
Exempt distribution income	(53)	-
Difference between chargeable gains and accounting profit	65	(25)
Group relief claimed	(556)	(378)
Foreign taxes - other	142	-
Utilisation/carry forward of tax losses	-	(170)
Deferred tax not recognised	(427)	(3,189)
Effect of changes in tax rates	(211)	(60)
Adjustments to prior periods – current tax	(188)	-
Adjustments to prior periods – deferred tax	46	-
Deferred tax charged directly to equity	855	-
Total tax	1,460	(1,645)

Changes to corporation tax rates

During the year the UK corporation tax rate was 19%.

The Finance Act 2016 has set the corporation tax rate for the tax year 2020/21 at 17%.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

11 Property, plant and equipment

	Land and buildings £'000	Plant and Equipment £'000	Total £'000
Fair value cost			
At 30 September 2018	16,687	59,607	76,294
Additions	157	2,307	2,464
Reclassification from assets held for resale	1,272	-	1,272
Disposals	-	(704)	(704)
Impairments	-	(347)	(347)
Foreign exchange movements	595	216	811
At 28 September 2019	18,711	61,079	79,790
Accumulated depreciation			
At 30 September 2018	-	(30,791)	(30,791)
Depreciation	(676)	(2,962)	(3,638)
Disposals	-	526	526
At 28 September 2019	(676)	(33,227)	(33,903)
Net book value			
At 30 September 2017	13,316	28,887	42,203
At 29 September 2018	16,687	28,816	45,503
At 28 September 2019	18,035	27,852	45,887

Plant and equipment includes assets under construction and at 28 September 2019 the net book value of these assets was £2,034k (2018 - £2,446k). These assets represent upgrades to machinery which are in the process of being commissioned.

The Group's properties were valued on 30 April 2018 by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The surplus on revaluation arising was credited to the statement of other comprehensive income. The directors have performed an assessment in the current year and are satisfied the valuation remains appropriate.

If the properties had been accounted for under the historic cost accounting rules, they would have been measured as follows:

	2019 £'000	2018 £'000
Historical cost	18,742	22,177
Accumulated depreciation	(10,188)	(9,512)
	8,554	12,665

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

11 Property, plant and equipment (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £'000	2018 £'000
Freehold	18,035	16,687
Leasehold	-	-
	18,035	16,687

12 Goodwill and intangible assets

	Brand £'000	Goodwill £'000	R&D £'000	Other £'000	Total £'000
Fair value cost					
At 30 September 2018	1,850	2,553	1,767	1,289	7,459
Additions	-	-	432	318	750
Exchange Adjustments	-	-	(23)	(3)	(26)
At 28 September 2019	1,850	2,553	2,176	1,604	8,183
Amortisation					
At 30 September 2018	(237)	-	(120)	(745)	(1,102)
Amortisation charge	(74)	-	(270)	(311)	(655)
Disposals	-	-	-	-	-
At 28 September 2019	(311)	-	(390)	(1,056)	(1,757)
Net book value					
At 30 September 2017	1,687	2,553	554	357	5,151
At 29 September 2018	1,613	2,553	1,647	544	6,357
At 28 September 2019	1,539	2,553	1,786	548	6,426

The brand is being amortised over 25 years which is its estimated useful life. Other intangible assets comprise patents, trademarks, computer software and developments costs are being amortised over 2 – 20 years which are the estimated useful lives.

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The Directors have, in considering impairment of goodwill, reviewed the operating activities and structure of the Group and considers the goodwill is attributable to a single cash generating unit related to Brintons Agnella Sp. z.o.o.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements
for the year ended 28 September 2019 *(continued)*

13 Subsidiaries

The subsidiaries of Brintons Carpets Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest	Principal activities
Brintons Carpets Asia Private Limited Plot 414-416, Village Urwade, Pirangut, Maharashtra 412108, India	India	100%	Production and sale of high quality Axminster woven carpet
Brintons Industria of De Alcatifas Limitada Rebordinho, 3670-062, Campia, Vouzela, Portugal	Portugal	100%	Production and sale of high quality Axminster woven carpet
Brintons US Axminster Inc 1000 Cobb Place Blvd Bailey Park, Suite 200 Kennesaw, GA 30144 United States	USA	100%	Sale of high quality floor coverings
Brintons Pty Limited * Level 1, 672 Lorimer Street Port Melbourne VIC 3207 Australia	Australia	100%	Sale of high quality floor coverings
Brintons Agnella Sp. z.o.o. Generala Wladyslaw Andersa 42 15-113 Bialystok, Poland	Poland	100%	Production and sale of high quality woven carpets and rugs
Brintons Overseas Holdings Limited Stourport Road, Kidderminster, Worcestershire, UK	UK	100%	Intermediate holding Company
Woodward Grosvenor Holdings Limited Stourport Road, Kidderminster, Worcestershire, UK	UK	100%	Dormant

* owned indirectly

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

14 Deferred tax assets

The deferred tax asset is made up as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	-	2
Deferred tax on intangible assets	(33)	(28)
Tax losses	808	2,233
Other timing differences	107	113
	882	2,320

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

15 Assets held for resale under financing arrangements

	£'000
Fair value cost	
At 30 September 2018	15,435
Assets reclassified as property, plant and equipment	(1,272)
Disposal of assets	(14,163)
At 28 September 2019	-

During the period the Group entered into Sale and Leaseback arrangements across its UK property portfolio.

16 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	1,147	1,005
Work-in-progress	4,775	4,556
Finished goods and goods for resale	4,985	4,787
	10,907	10,348

Stock recognised in cost of sales during the year as an expense was £41,397k (2018 - £47,122k).

The amount of stock provision write back in the year was £88k (2018 - £62k) being the deemed adjustment for fair value less costs to sell of the stock items previously carried at cost.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

17 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	12,497	13,069
Less: provision for impairment of trade receivables	(168)	(164)
Trade receivables - net	12,329	12,905
Other receivables	4,520	1,711
Prepayments	1,481	1,448
Contract asset	3,820	1,336
Income tax recoverable	636	527
Total current trade and other receivables	22,786	17,927
Non-current trade and other receivables		
Other receivables	152	127
Total non-current trade and other receivables	152	127
Total trade and other receivables	22,938	18,054

Included within other receivables is a partial loss relating to a sale and leaseback arrangement as the sale price was below fair value and compensated for by lower future rentals. This loss is being amortised over the period of use.

The carrying value of trade and other receivables approximates fair value.

The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision rate for trade receivables and contract assets. Trade receivables and contract assets are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit loss experienced over the last 3 years. The historical losses are then adjusted for current and forward looking information on macroeconomic factors affecting the Group's customers.

As at 28 September 2019 the impairment provision comprises a specific loss allowance provision of £85k and an expected credit loss provision of £83k. The lifetime expected losses for trade receivables is calculated on the gross carrying amount of trade receivables less any specific loss allowance and is detailed as follows:

	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total £'000
Expected loss rate	0.2%	0.3%	1.6%	6.9%	5.3%	
Gross carrying amount	8,257	3,017	431	385	407	12,497
Expected credit losses	18	9	7	27	22	83

Given the history of no impairment losses for contract asset the expected credited loss is nil.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

17 Trade and other receivables *(continued)*

As at 28 September 2019 trade receivables of £168k (2018 - £164k) were past due and fully impaired.

Movements in the impairment allowance for trade receivables are as follows:

	2019 £'000	2018 £'000
Opening balance	164	161
Increase during the year	4	3
Closing balance	168	164

The movement in the impairment allowance for trade receivables has been included in the allowances line in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Contract asset

	£'000
At 30 September 2018	1,336
Transfers in the year from contract assets to trade receivables	(1,336)
Excess of revenue recognised over cash received during the year	3,820
At 28 September 2019	3,820

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

18 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	13,128	10,633
Bank loans and overdrafts (secured)	2,374	2,006
Income taxes payable	213	500
Other tax and social security	763	783
Obligations under finance leases	582	731
Accruals	5,746	4,185
Payments received on account	2,442	3,107
Other payables	1,390	1,562
Total trade and other payables	26,638	23,507

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Advances under debt factoring arrangements are secured against the eligible trade debtors and stock balances of the Group and are included within bank loans and overdrafts.

19 Other payables amounts falling due after more than one year

	2019 £'000	2018 £'000
Shareholder loans	22,929	36,087
Bank loans	2,932	1,444
Obligations under finance lease	1,567	2,098
Other loans and creditors	64	57
Grants	555	440
	28,047	40,126

A shareholder loan was provided by the Company's shareholder, KMHD Flooring Acquisition Company Limited, repayable in 2024. Interest on this loan was charged at US 3 month LIBOR plus margin which was a total average rate of 7.0% for the year. Proceeds generated from asset sales resulted in additional repayments significantly reducing the balance outstanding at the end of the year.

The bank loans are secured against Group assets, with interest charged at commercial market rates.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

19 Other payables amounts falling due after more than one year (continued)

Maturity of bank loans:

	2019 £'000	2018 £'000
Not later than one year	2,374	2,006
Between one year and five years	2,932	1,444
	5,306	3,450
Current liabilities	2,374	2,006
Non-current liabilities	2,932	1,444

20 Obligations under finance leases

Future lease payments are due as follows:

	2019 £'000	2018 £'000
Not later than one year	582	731
Between one year and five years	1,495	1,932
Later than five years	72	166
	2,149	2,829
Current liabilities	582	731
Non-current liabilities	1,567	2,098

21 Share capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Ordinary shares of £1 each	13,243,359	13,243	13,243,359	13,243

22 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Foreign exchange reserve	Gains/losses arising on retranslations the net assets of overseas operations into British Sterling.
Share capital	The investment made in the Company by its shareholder by way of subscription for new ordinary shares in the Company.
Revaluation reserves	Gains arising on revaluation of property net of tax.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements
for the year ended 28 September 2019 (continued)

23 Provisions

	Deferred tax liability £'000	Cost of quality £'000	Total £'000
At 30 September 2018	6,060	442	6,502
Released to profit	-	(19)	(19)
Other comprehensive income	(2,139)	-	(2,139)
Utilised in year	974	22	996
Foreign exchange	152	-	152
At 28 September 2019	5,047	445	5,492

The movement on the deferred tax account is as shown below:

	Deferred Tax Asset £'000	Deferred tax liability £'000	Deferred tax net £'000
At 30 September 2018	(2,320)	6,060	3,740
Charged to profit	145	974	1,119
Other comprehensive income	1,284	(2,139)	(855)
Foreign exchange	9	152	161
At 28 September 2019	(882)	5,047	4,165

The movement in other comprehensive income is connected to the deferred tax impact of the revaluation and sale of group properties.

The provision for deferred tax is made up as follows:

	2019 £'000	2018 £'000
Tax losses	(651)	(740)
Deferred tax on intangible assets	309	274
Other timing differences	(18)	(296)
Deferred tax on tangible assets	3,016	2,966
Deferred tax on revalued assets	2,391	3,856
	5,047	6,060

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

24 Leases

Operating leases - lessee

The leases primarily relate to properties, motor vehicles and office equipment.

The total future value of minimum lease payments is due as follows:

	2019 £'000	2018 £'000
Not later than one year	1,043	595
Later than one year and not later than five years	848	463
	1,891	1,058

25 Financial instruments - risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables (including contract assets)
- Cash and cash equivalents
- Trade and other payables
- Advances secured under factoring
- Finance leases
- Bank loans and overdrafts
- Shareholder loans

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates on the effectiveness of the processes put in place and of the current level of risk within the business.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

25 Financial instruments - risk management (continued)

Financial instruments by category

Financial assets

	Amortised cost	
	2019 £'000	2018 £'000
Cash and cash equivalents	11,449	5,963
Trade and other receivables	17,001	14,743
Total financial assets	28,450	20,706

Financial liabilities

	Amortised cost	
	2019 £'000	2018 £'000
Trade and other payables	22,771	19,544
Finance leases – current	582	731
Finance leases – non-current	1,567	2,098
Bank loans – current	1,676	1,399
Bank loans – non-current	2,932	1,444
Advances secured under debt factoring	698	607
Shareholder loans – non-current	22,929	36,087
Total financial liabilities	53,155	61,910

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, advances secured under debt factoring, trade and other payables and current overdraft, bank loans and finance leases approximates their fair value. There is no material difference to fair value of the non current bank loans and finance leases. The directors also consider that the fair value of shareholder loans approximates to recorded value.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The review includes external ratings, when available, and in some cases bank references. Total contract limits are established for each customer, which represents the maximum exposure permissible without requiring approval from the Board. In addition the Group has established credit insurance that mitigates the risk of the non-payment of appropriately approved debtor balances. The Group were not exposed to any customer that contributed more than 10% of trade debtors at any time during the year.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, care is taken when choosing a partner unless specified by a connected financial institution.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

25 Financial instruments - risk management *(continued)*

Cash in bank and short-term deposits

The Group uses reputable banks in the relevant countries concerned and these are considered to have minimal risk.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group. In respect of other monetary assets and liabilities denominated in foreign currencies the Group's policy is to ensure that its net exposure is kept to an acceptable level by natural hedges within trading or buying or selling currencies at spot rates to address short term imbalances.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of financial instruments. The objective of interest rate management is to optimise the financing structure to achieve the lowest possible interest rate. To achieve this objective the Group has sourced its funding from fixed rate loans from the shareholder as well as variable rate bank borrowings.

The Group's variable rate loans are based on a fixed margin plus LIBOR, WIBOR or EURIBOR. It is the directors considered view that these rates are likely to remain constant for the foreseeable future and if they should change they are more likely to reduce not increase. In the unlikely event these rates do rise, a 1% increase in all three rates would increase the Group's interest charge by £280,000 per year.

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

25 Financial instruments - risk management (continued)

As at the year end the Group's net exposure to foreign exchange risk was as follows:

	2019 £000	2018 £000
Net foreign currency financial assets/(liabilities)		
Euro	(4,348)	(5,189)
US Dollar	5,710	3,274
Australian Dollar	651	1,233
Indian Rupee	431	1,293
Polish Zloty	(3,069)	(1,643)
Other	315	198
Total net exposure	(310)	(834)

The following table reflects the impact of a 10% movement in non functional currencies retranslated at the year end:

28 September 2019	10% increase Effect on Profit before tax £'000	10% decrease Effect on profit before tax £'000
Euro	395	(395)
US Dollar	(519)	519
Australian Dollar	(59)	59
Indian Rupee	(39)	39
Polish Zloty	279	(279)
Other	(29)	29
	28	(28)
29 September 2018	10% increase Effect on Profit before tax £'000	10% decrease Effect on profit before tax £'000
Euro	472	(472)
US Dollar	(298)	298
Australian Dollar	(112)	112
Indian Rupee	(118)	118
Polish Zloty	149	(149)
Other	(18)	18
	75	(75)

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 (continued)

25 Financial instruments - risk management (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. The Board receives regular cash flow projections that look forward for a period of at least 12 months. At the end of the financial year, these projections indicated that the Group expected to have sufficient funding resources (from the shareholder and external funders) to meet its obligations under all reasonably expected circumstances. The liquidity risk of the Group is managed centrally by the Finance Director.

The following table sets out the contractual maturities of financial liabilities, including interest payments. This analysis assumes that interest rates prevailing at the reporting date remain constant.

28 September 2019

	Contractual cash flows £000	0 to <1 year £000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
Secured bank loans	7,038	2,592	1,927	2,519	-
Debt factoring	698	698	-	-	-
Finance lease liabilities	2,310	654	628	954	74
Trade payables	13,128	13,128	-	-	-
	23,174	17,072	2,555	3,473	74

29 September 2018

	Contractual cash flows £000	0 to <1 year £000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
Secured bank loans	2,892	1,420	1,054	418	-
Debt factoring	607	607	-	-	-
Finance lease liabilities	3,084	833	648	1,432	171
Trade payables	10,633	10,633	-	-	-
	17,216	13,493	1,702	1,850	171

In addition to the above, a shareholder loan of £22,929,000 has been provided to the Company by its shareholder KMHD Flooring Acquisition Company Limited (2018 - £36,087,000).

Brintons Carpets Limited

Notes forming part of the consolidated financial statements for the year ended 28 September 2019 *(continued)*

26 Related party transactions

Management charges due to Argand are incurred by KMHD Flooring Acquisition Company Limited.

27 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2019 £'000	2018 £'000
Cash at bank available on demand	11,449	5,963
	11,449	5,963

Significant non-cash transactions are as follows:

	2019 £'000	2018 £'000
<i>Financing activities</i>		
- PIK Interest	1,502	2,291

28 Ultimate parent company and parental undertaking of larger Group

The Company is a wholly owned subsidiary of KMHD Flooring Acquisition Limited, registered in England and Wales. The ultimate UK parent Company and the smallest and largest Company in which these results are consolidated in is KMHD Flooring Holdco Limited, registered in England and Wales. Copies of KMHD Flooring Holdco Limited financial statements may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate shareholders are considered to be Brintons Co-Investment Holdings LP.

29 Events after the reporting period

There were no significant events after the reporting period.

Brintons Carpets Limited

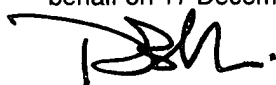
Parent company statement of financial position as at 28 September 2019

Company number 07749331

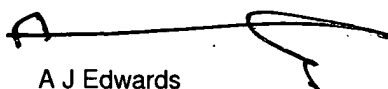
	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	5	(5,724)	(6,421)
Tangible assets	4	3,149	4,024
Fixed asset investments	3	34,320	34,320
		31,745	31,923
Current assets			
Assets held for resale under financing arrangements	6	-	14,120
Stocks	7	3,230	5,029
Debtors	8	23,009	16,340
Cash at bank and in hand		8,030	4,684
		34,269	40,173
Creditors: amounts falling due within one year	9	(21,342)	(18,440)
Net current assets		12,927	21,733
Total assets less current liabilities		44,672	53,656
Creditors: amounts falling due after more than one year			
Shareholder loan	10	22,929	36,087
Provisions for liabilities	11	522	1,802
		23,451	37,889
Capital and reserves			
Called up share capital	14	13,243	13,243
Revaluation reserve	14	-	9,939
Retained earnings	14	7,978	(7,415)
Total equity		21,221	15,767
Total equity and liabilities		44,672	53,656

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the year was £3,567,000 (2018 - £8,417,000).

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 17 December 2019.



D L S Baldi
Director



A J Edwards
Director

Brintons Carpets Limited

Parent company statement of changes in equity for the year ended 28 September 2019

	Share capital £'000	Revaluation reserves £'000	Retained earnings £'000	Total £'000
At 1 October 2017	13,243	-	(15,832)	(2,589)
Profit for the year	-	-	8,417	8,417
Other comprehensive income	-	9,939	-	9,939
Total comprehensive income for the year	-	9,939	8,417	18,356
At 29 September 2018	13,243	9,939	(7,415)	15,767
Profit for the year	-	-	3,567	3,567
Realised gains on disposal of assets	-	(11,826)	11,826	-
Other comprehensive income	-	1,887	-	1,887
Total comprehensive income for the year	-	(9,939)	15,393	5,454
At 28 September 2019	13,243	-	7,978	21,221

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019

1 Accounting policies

Basis of preparation

Brintons Carpets Limited is a private company limited by shares, incorporated and domiciled in England. The financial statements have been prepared in accordance with Financial Reporting Standard 100 "Application of Financial Reporting Requirements" and Financial Reporting Standard 101 "Reduced Disclosure Framework".

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in the Company's functional currency Pound Sterling (£) in round thousands (£'000).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Group headed by Brintons Carpets Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions in respect of financial instruments and impairment of assets have been adopted because equivalent disclosures are included in the consolidated financial statements of Brintons Carpets Limited.

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

Going concern

The directors have prepared a detailed cash flow forecast to 31 December 2020 which shows that the Company will be able to trade within its agreed facilities. On this basis the directors are satisfied that it is appropriate to continue to prepare the accounts of the Company on a going concern basis.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment.

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (*continued*)

1 Accounting policies (*continued*)

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Positive goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for amortisation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Impairment tests on goodwill with indefinite useful economic lives are undertaken annually at the financial year end. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Company's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

Negative goodwill is amortised to profit as the non monetary assets acquired are used within the business (stocks), amortised over the same period as the related assets (tangible fixed assets) or is left as negative goodwill where no usage as amortisation is applied (investments).

Intangible assets

All other intangible assets are included at their fair value which is reviewed on a regular basis. These comprise software licences, patents and trademarks, new product and technological developments.

Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the intangible asset. Brand is amortised over 25 years and patents, trademarks, computer software and development costs over 2 – 20 years. Amortisation commences from the date the intangible asset becomes available for use.

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over 3 to 20 years, representing the period of time the Company expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (continued)

1 Accounting policies (continued)

Impairment of intangible assets

The Company reviews the carrying amount of assets on a regular basis to determine if there is any indication of impairment losses. Any impairment loss is included within depreciation, amortisation and impairments in the statement of comprehensive income.

Tangible fixed assets

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold and leasehold land and buildings are subsequently carried at fair value, based on periodic valuations by an independent professional valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Land	-	Not depreciated
Freehold property	-	2.5% per annum on historical cost
Leasehold land and buildings	-	Over length of lease
Plant and machinery	-	4%-50% per annum

At the date of revaluation, the accumulated depreciation is eliminated against the gross amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold land and buildings, over the amount that would have been charged on a historical basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income.

An impairment review is conducted where there is an indication of significant changes. The expense is included within depreciation, amortisation and impairments in the statement of comprehensive income.

Sale and leaseback arrangements

The accounting of these transactions follows the requirements of IAS 17 for operating leases with lease costs recognised in the profit and loss account as incurred.

Any profit or loss on sale is treated as follows:

- where transaction is clearly carried out at fair value; the profit or loss is recognised immediately
- where sale price is below fair value; profit or loss is recognised immediately, except if a loss is compensated for by future rentals at below market price, then the loss should be amortised over the period of use
- where the sale price is above fair value - the excess over fair value is deferred and amortised over the period of use
- if the fair value at the time of the transaction is less than the carrying amount – a loss equal to the difference should be recognised immediately

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (*continued*)

1 Accounting policies (*continued*)

Stocks

Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition as follows:

- raw materials - purchase cost determined on a weighted average; and
- work in progress and finished goods - cost of direct materials and labour plus a measure of attributable overheads which is based on the normal level of activity of the business.

Net realisable value is based on estimated selling price less additional costs to complete and disposal costs.

Financial assets

The Company classifies its financial assets into the categories discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its liabilities as being held at fair value through profit or loss or through other comprehensive income. The Company's accounting policy is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within allowances in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (*continued*)

1 Accounting policies (*continued*)

Financial liabilities

The Company classifies its financial liabilities into the categories depending on the purpose for which the liability was acquired. The Company has not classified any of its liabilities as being held at fair value through profit or loss. Financial liabilities include the following items:

Borrowings

Borrowings are initially recognised at their fair value, net of the associated finance costs, and thereafter at amortised cost. The associated finance costs are amortised to profit or loss over the life of the borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the period end date.

Trade payables and short term liabilities

Trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Provisions

Provision is made for product warranty claims and legal claims when the Company has a present obligation as a result of past events, and it is more likely than not that an outflow of economic benefits will be required to settle the obligated and the amount can be reliably estimated.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Deferred taxes are calculated at the enacted or substantively enacted tax rates that are expected to apply when the asset or liability is settled. Deferred taxes are charged or credited to the income statement except when it relates to items credited or charged directly to equity in which case deferred taxes are also recognised directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Foreign currency

Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss in the statement of comprehensive income.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 *(continued)*

1 Accounting policies *(continued)*

Provisions

Provision is made for product warranty claims and legal claims when the Company has a present obligation as a result of past events, and it is more likely than not that an outflow of economic benefits will be required to settle the obligated and the amount can be reliably estimated.

Revenue

Performance obligations and timing of revenue recognition

The Company records certain contracts on an over-time basis and other contracts on the point in time basis.

For the contracts that are recorded over time revenue and margin is recognised at three key stages of the contract process that are considered to match the stage of completion of each contract. The key stages are: (1) the yarn dyeing stage when the product moves to a state that has no alternative use to the Company where 60% of revenue and margin is recorded; (2) the unfinished stage when the product is prepared on the looms where 90% of revenue and margin are recognised; and (3) the finished stage when the product is fully complete and ready for despatch where 100% of revenue and margin is recognised.

For contracts that are recorded at a point in time revenue is recognised at the date that goods are delivered to the customer.

A small minority of contracts are negotiated on a bill and hold basis. In such arrangements revenue is recognised even though the Company still has physical possession only if:

- the arrangement is substantive (i.e. requested by the customer);
- the finished goods have been identified separately as belonging to the customer; and
- the product is ready for physical transfer to the customer; and the Company does not have the ability to use the product to direct it to another customer.

Some goods sold by the Company include warranties which require the Company to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. On some product lines, a customer is able to take out extended warranties. These are accounted for as separate performance obligations, with the revenue earned recognised on a straight-line basis over the term of the warranty.

Allowances

Allowances comprise of costs which are directly attributable to generating gross revenue invoiced to customers. These include agents' commissions, sales volume rebates, design royalties and provisions against trade receivables.

Employee benefits

The Company does not have any defined benefit pension plans.

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate. The Company records the obligations connected to other post-retirement benefits (such as long term awards) payable by the Company on a basis that reflects the expected costs of the service awards discounted to a net present value.

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (continued)

1 Accounting policies (continued)

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

2 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included on page 24 of the Group accounts.

Brintons Carpets Limited

Notes forming part of the parent company accounts
for the year ended 28 September 2019 (*continued*)

3 Investments

Subsidiaries
£'000

Fair value cost

At 29 September 2018 and 28 September 2019

34,320

Subsidiary undertakings

The following subsidiary undertakings are held by the Company.

Name	Country of incorporation and principal place of business	Proportion of ownership interest	Principal activities
Brintons Carpets Asia Private Limited Plot 414-416, Village Urwade, Pirangut, Maharashtra 412108, India	India	100%	Production and sale of high quality Axminster woven carpet
Brintons Industria of De Alcatifas Limitada Rebordinho, 3670-062, Campia, Vouzela, Portugal	Portugal	100%	Production and sale of high quality Axminster woven carpet
Brintons US Axminster Inc 1000 Cobb Place Blvd Bailey Park, Suite 200 Kennesaw, GA 30144 United States	USA	100%	Sale of high quality floor coverings
Brintons Pty Limited * Level 1, 672 Lorimer Street Port Melbourne VIC 3207 Australia	Australia	100%	Sale of high quality floor coverings
Brintons Agnella Sp. z.o.o. Generala Wladyslawa Andersa 42 15-113 Bialystok, Poland	Poland	100%	Production and sale of high quality woven carpets and rugs
Brintons Overseas Holdings Limited Stourport Road, Kidderminster, Worcestershire, UK	UK	100%	Intermediate holding company
Woodward Grosvenor Holdings Limited Stourport Road, Kidderminster, Worcestershire, UK	UK	100%	Dormant

* owned indirectly

Brintons Carpets Limited

Notes forming part of the parent company accounts
for the year ended 28 September 2019 *(continued)*

4 Tangible fixed assets

	Plant and equipment £'000	Total £'000
Cost		
At 30 September 2018	10,887	10,887
Additions	390	390
Disposals	(494)	(494)
Impairment	(346)	(346)
At 28 September 2019	10,437	10,437
Accumulated depreciation		
At 30 September 2018	(6,863)	(6,863)
Depreciation	(851)	(851)
Disposals	426	426
At 28 September 2019	(7,288)	(7,288)
Net book value		
At 29 September 2018	4,024	4,024
At 28 September 2019	3,149	3,149

Tangible fixed assets includes assets under construction and at 28 September 2019 the net book value of these assets was £9k (2018 - £64k). These assets represent upgrades to machinery which have not yet been brought into operation.

Brintons Carpets Limited

Notes forming part of the parent company accounts
for the year ended 28 September 2019 *(continued)*

5 Intangible assets

	Goodwill £'000	R&D £'000	Patents, Trademarks & Software £'000	Total £'000
Cost				
At 30 September 2018	(15,311)	559	935	(13,817)
Additions	-	263	309	572
At 28 September 2019	(15,311)	822	1,244	(13,245)
Amortisation				
At 30 September 2018	7,917	(34)	(487)	7,396
Amortisation charge	513	(116)	(272)	125
At 28 September 2019	8,430	(150)	(759)	7,521
Net book value				
At 29 September 2018	(7,394)	525	448	(6,421)
At 28 September 2019	(6,881)	672	485	(5,724)

Patents, trademarks, computer software and development costs are being amortised over 2 – 20 years which are the estimated useful lives.

6 Assets held for resale under financing arrangements

	£'000
Fair value cost	
At 30 September 2018	14,120
Disposal of assets	(14,120)
At 28 September 2019	-

During the period the Company entered into Sale and Leaseback arrangements across its UK property portfolio.

Brintons Carpets Limited

Notes forming part of the parent company accounts
for the year ended 28 September 2019 (continued)

7 Stock

	2019 £'000	2018 £'000
Raw materials and consumables	78	115
Work-in-progress	1,281	1,522
Finished goods and goods for resale	1,871	3,392
	3,230	5,029

Stock recognised in cost of sales during the year as an expense was £52,461k (2018 - £54,930k). Impairment loss relating to inventories and included within cost of sales amounted to (£13k) (2018 - £234k).

8 Debtors

	2019 £'000	2018 £'000
Trade debtors	4,119	3,066
Amounts owed by Group undertakings	13,645	12,097
Other debtors	3,136	175
Prepayments	697	532
Contract assets	1,150	470
Income tax recoverable	262	-
	23,009	16,340

9 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	5,336	4,713
Amounts owed to Group undertakings	12,149	11,191
Income taxes payable	-	87
Accruals and deferred income	2,142	585
Payments received on account	805	696
Other creditors	910	1,168
	21,342	18,440

10 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Shareholder loans	22,929	36,087
	22,929	36,087

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (continued)

10 Creditors: amounts falling due after more than one year (continued)

A shareholder loan was provided by the Company's shareholder, KMHD Flooring Acquisition Company Limited, repayable in 2024. Interest on this loan was charged at US 3 month LIBOR plus margin which was a total average rate of 7.0% for the year. Proceeds generated from asset sales resulted in additional repayments significantly reducing the balance outstanding at the end of the year.

11 Provisions

	Deferred tax £'000	Cost of quality £'000	Total £'000
At 30 September 2018	1,683	119	1,802
Credited to profit	626	-	626
Other comprehensive income	(1,887)	-	(1,887)
Utilised in year	-	(19)	(19)
At 28 September 2019	422	100	522

The movement on the deferred tax account is as shown below:

	2019 £'000	2018 £'000
At 30 September 2018	1,683	-
Tax expense	626	(204)
Other comprehensive income	(1,887)	1,887
At 28 September 2019	422	1,683

The movement in other comprehensive income is connected to the deferred tax impact of the revaluation and sale of properties.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The provision for deferred tax is made up as follows:

	2019 £'000	2018 £'000
Tax credit and loss carry forward	(68)	(134)
Other timing differences	(72)	(29)
Deferred tax on tangible assets	(8)	(41)
Deferred tax on intangible assets	48	-
Deferred tax on revalued assets	522	1,887
	422	1,683

Brintons Carpets Limited

Notes forming part of the parent company accounts for the year ended 28 September 2019 (continued)

12 Employee benefit expenses

	2019 £'000	2018 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	6,244	7,108
Social security contributions and similar taxes	741	886
Defined contribution pension cost	695	735
	7,680	8,729

The number of employees (including directors) at the end of the year was as follows:

	2019 Number	2018 Number
Production	110	147
Sales, marketing, distribution and design	56	52
Administration and finance	42	42
	208	241

13 Related party transactions

Management charges due to Argand are borne by KMHD Flooring Acquisition Company Limited.

14 Share capital

	2019 Number	Authorised, issued and fully paid 2019 £'000	2018 Number	2018 £'000
Ordinary shares of £1 each	13,243,359	13,243	13,243,359	13,243

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
<i>Share Capital</i>	The investment made in the Company by its shareholder by way of subscription for new ordinary shares in the Company.
<i>Revaluation reserve</i>	Gains arising on revaluation of property net of tax.

15 Ultimate controlling party

The Company is a wholly owned subsidiary of KMHD Flooring Acquisition Limited, registered in England and Wales. The ultimate UK Parent Company and the smallest and largest Company in which these results are consolidated in is KMHD Flooring Holdco Limited, registered in England and Wales. Copies of KMHD Flooring Holdco Limited financial statements may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate shareholders are considered to be Brintons Co-Investment Holdings LP.

16 Events after the reporting period

There were no significant events after the reporting period.