

Registration number: 08337132

Abacus Direct Manufacturing Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

Murray Harcourt Limited
Elizabeth House
13-19 Queen Street
Leeds
West Yorkshire
LS1 2TW



Abacus Direct Manufacturing Group Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15 to 34

Abacus Direct Manufacturing Group Limited

Company Information

Directors	S P Bradbury I Pattison
Registered office	Abacus House Jubilee Court Copgrove Harrogate North Yorkshire HG3 3TB
Auditors	Murray Harcourt Limited Elizabeth House 13-19 Queen Street Leeds West Yorkshire LS1 2TW

Abacus Direct Manufacturing Group Limited

Strategic Report for the Year Ended 31 December 2017

The Directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the company is that of a holding company. The principal activity of the group is the manufacture and specialist distribution of bathrooms and bathroom equipment.

Fair review of the business

Trading conditions improved during the period, with growth continuing to come from key customers and diversification.

The construction and own label markets continued to show signs of improvement in 2017 resulting in an increase in operating profit. The business continues to invest in technology to improve manufacturing processes and increase efficiency with a view to grow revenue as well as profit in the coming year. The Group's strategic alliance with a number of its key customers continues to positively impact results.

The Group's key financial performance indicators during the year were as follows:

	Unit	2017	2016
Operating profit	£	1,190,051	1,567,842

Principal risks and uncertainties

The principal risks identified are credit risk, liquidity risk and foreign currency risk.

Further details regarding these risks and the measures taken to mitigate their impact is provided in the Directors' Report.

Approved by the Board on 5/6/18 and signed on its behalf by:



I Pattison
Director

Abacus Direct Manufacturing Group Limited

Directors' Report for the Year Ended 31 December 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the Group

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

S P Bradbury

I Pattison

Dividends

Dividends paid are shown in note 23. The Directors do not recommend payment of a final dividend.

Financial instruments

Objectives and policies

The Group's principal financial instruments comprise investments, bank balances, trade debtors, trade creditors, loans, overdrafts, confidential invoice discounting and finance leases. The main purpose of these instruments is to finance the Group's operations.

Price risk, credit risk, liquidity risk and cash flow risk

Credit risk arises from customers failing to meet their obligation under contracts of sale to pay. In order to minimise this risk, deferred terms are only granted to those customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk arises from the difficulties the Group may face in meeting obligations under financial liabilities as they fall due. The Group mitigates liquidity risk by preparing long, medium and short term forecasts, applying cash collection targets throughout the Group and utilisation of full trading terms with its suppliers. Foreign currency risk arises because the Group purchases products from overseas. The Group mitigates this risk through the use of import loans.

Future developments

Details of future developments are provided in the Strategic Report.

Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Abacus Direct Manufacturing Group Limited

Directors' Report for the Year Ended 31 December 2017


Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013, the Company has prepared a Strategic Report, which includes information that would have previously been included in the Director's Report.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on ...9/6/18..... and signed on its behalf by:



I Pattison
Director

Abacus Direct Manufacturing Group Limited

Statement of Directors' Responsibilities

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

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

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

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

Abacus Direct Manufacturing Group Limited

Independent Auditor's Report to the Members of Abacus Direct Manufacturing Group Limited

Opinion

We have audited the financial statements of Abacus Direct Manufacturing Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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's 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.

Abacus Direct Manufacturing Group Limited

Independent Auditor's Report to the Members of Abacus Direct Manufacturing Group Limited

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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the 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 the Directors' Report.

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

- adequate accounting records have not been kept 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 Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Abacus Direct Manufacturing Group Limited

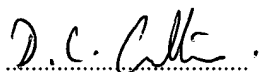
Independent Auditor's Report to the Members of Abacus Direct Manufacturing Group Limited

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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 the auditor's report and for no other purpose. To the fullest extent that is 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.



David Caseldine FCA (Senior Statutory Auditor)
For and on behalf of Murray Harcourt Limited, Statutory Auditor

Elizabeth House
13-19 Queen Street
Leeds
West Yorkshire
LS1 2TW

Date: 26/6/18

Abacus Direct Manufacturing Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	12,628,670	13,023,643
Cost of sales		<u>(7,586,067)</u>	<u>(7,842,742)</u>
Gross profit		5,042,603	5,180,901
Administrative expenses		(3,900,968)	(3,634,100)
Other operating income	4	<u>48,416</u>	<u>21,041</u>
Operating profit	5	1,190,051	1,567,842
Interest payable and similar expenses	7	<u>(142,092)</u>	<u>(104,511)</u>
Profit before tax		1,047,959	1,463,331
Taxation	11	<u>(272,595)</u>	<u>(304,968)</u>
Total comprehensive income for the year		<u>775,364</u>	<u>1,158,363</u>

The group has no recognised gains or losses for the year other than the results above.

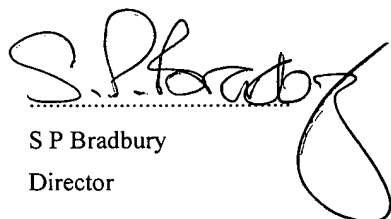
The notes on pages 15 to 34 form an integral part of these financial statements.

Abacus Direct Manufacturing Group Limited

(Registration number: 08337132)
Consolidated Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	401,483	427,525
Tangible assets	13	7,602,990	7,635,579
Investment property	14	845,273	280,000
		<u>8,849,746</u>	<u>8,343,104</u>
Current assets			
Stocks	16	3,180,788	2,584,108
Debtors	17	2,851,063	2,745,031
Cash at bank and in hand	18	443,167	1,233,987
		<u>6,475,018</u>	<u>6,563,126</u>
Creditors: Amounts falling due within one year	19	<u>(6,001,800)</u>	<u>(6,273,180)</u>
Net current assets		<u>473,218</u>	<u>289,946</u>
Total assets less current liabilities		<u>9,322,964</u>	<u>8,633,050</u>
Creditors: Amounts falling due after more than one year	19	<u>(3,108,109)</u>	<u>(3,206,677)</u>
Provisions for liabilities	20	<u>(62,594)</u>	<u>(39,476)</u>
Net assets		<u>6,152,261</u>	<u>5,386,897</u>
Capital and reserves			
Called up share capital	22	1,040	1,040
Profit and loss account		<u>6,151,221</u>	<u>5,385,857</u>
Equity attributable to owners of the company		<u>6,152,261</u>	<u>5,386,897</u>

Approved and authorised by the Board on 5/1/18 and signed on its behalf by:


S P Bradbury
Director

The notes on pages 15 to 34 form an integral part of these financial statements.

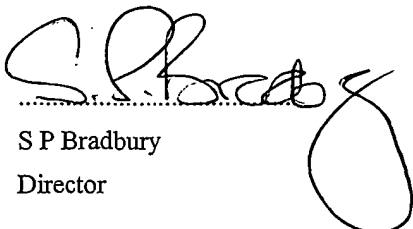
Abacus Direct Manufacturing Group Limited

(Registration number: 08337132)
Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	15	1,201,240	1,201,240
Current assets			
Debtors	17	507,800	335,800
Creditors: Amounts falling due within one year	19	-	(124,000)
Net current assets		<u>507,800</u>	<u>211,800</u>
Net assets		<u>1,709,040</u>	<u>1,413,040</u>
Capital and reserves			
Called up share capital		1,040	1,040
Profit and loss account		<u>1,708,000</u>	<u>1,412,000</u>
Total equity		<u>1,709,040</u>	<u>1,413,040</u>

The company made a profit after tax for the financial year of £306,000 (2016 - profit of £400,000).

Approved and authorised by the Board on 5/1/18 and signed on its behalf by:


S P Bradbury
Director

The notes on pages 15 to 34 form an integral part of these financial statements.

Abacus Direct Manufacturing Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017 Equity attributable to the parent company

	Share capital £	Profit and loss account £	Total £
At 1 January 2017	1,040	5,385,857	5,386,897
Profit for the year	-	775,364	775,364
Dividends	-	(10,000)	(10,000)
At 31 December 2017	1,040	6,151,221	6,152,261

	Share capital £	Profit and loss account £	Total £
At 1 January 2016	125,040	4,237,494	4,362,534
Profit for the year	-	1,158,363	1,158,363
Dividends	-	(10,000)	(10,000)
Other share capital movements	(124,000)	-	(124,000)
At 31 December 2016	1,040	5,385,857	5,386,897

The notes on pages 15 to 34 form an integral part of these financial statements.

Abacus Direct Manufacturing Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Profit and loss account £	Total £
At 1 January 2017	1,040	1,412,000	1,413,040
Profit for the year	-	306,000	306,000
Dividends	-	(10,000)	(10,000)
At 31 December 2017	1,040	1,708,000	1,709,040

	Share capital £	Profit and loss account £	Total £
At 1 January 2016	125,040	1,022,000	1,147,040
Profit for the year	-	400,000	400,000
Dividends	-	(10,000)	(10,000)
Other share capital movements	(124,000)	-	(124,000)
At 31 December 2016	1,040	1,412,000	1,413,040

The notes on pages 15 to 34 form an integral part of these financial statements.

Abacus Direct Manufacturing Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the year	775,364	1,158,363
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	501,341	400,908
(Profit)/loss on disposal of tangible assets	(4,392)	171
Finance costs	142,092	104,511
Income tax expense	272,595	304,968
	<u>1,687,000</u>	<u>1,968,921</u>
Working capital adjustments		
Increase in stocks	(596,680)	(63,280)
(Increase)/decrease in debtors	(106,032)	145,638
Increase/(decrease) in creditors	273,874	(578,571)
Decrease in deferred income, including government grants	(11,729)	(11,729)
	<u>1,246,433</u>	<u>1,460,979</u>
Cash generated from operations		
Income taxes paid	(408,753)	(182,413)
Net cash flow from operating activities	<u>837,680</u>	<u>1,278,565</u>
Cash flows from investing activities		
Acquisitions of tangible assets	(452,568)	(2,335,122)
Proceeds from sale of tangible assets	14,250	23,164
Acquisition of investment properties	(565,273)	-
Net cash flows from investing activities	<u>(1,003,591)</u>	<u>(2,311,958)</u>
Cash flows from financing activities		
Interest paid	(142,092)	(103,121)
Payments for purchase of own shares	-	(124,000)
Proceeds from bank borrowing draw downs	-	3,200,000
Repayment of bank borrowing	(18,393)	(572,505)
Repayment of other borrowing	(448,768)	(411,013)
Payments to finance lease creditors	(5,656)	(14,722)
Dividends paid	(10,000)	(10,000)
Net cash flows from financing activities	<u>(624,909)</u>	<u>1,964,639</u>
Net (decrease)/increase in cash and cash equivalents	(790,820)	931,246
Cash and cash equivalents at 1 January	<u>1,233,987</u>	<u>302,741</u>
Cash and cash equivalents at 31 December	<u>443,167</u>	<u>1,233,987</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital incorporated in the United Kingdom. Details of the Registered Office can be found on page 1.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements have been prepared on a going concern basis, using the historical cost convention and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Summary of disclosure exemptions

The parent company has taken the following exemptions in relation to its standalone financial statements.

- disclosure of key management personnel remuneration;
- the requirement to prepare a statement of cash flows; and
- financial instruments disclosures, including categories of financial instruments.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2017.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing these financial statements.

Judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under "Key sources of estimation uncertainty" below.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Depreciation of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The carrying value and accumulated depreciation of tangible fixed assets is set out in note 13 to the financial statements.

Carrying value of goodwill

The Group considers whether goodwill is impaired. Where an indicator of impairment is identified the determination of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The carrying value of goodwill is set out in note 12 to the financial statements.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Recoverability of trade and other debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtors, the ageing profile of debtors and historical experience. The carrying amount of trade and other debtors is set out in note 17 to the financial statements.

Impairment of stocks

The Group sells products in a market that is subject to changing fashions and technological developments together with changes in consumer spending levels. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When considering the impairment of stocks, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. The carrying value of stocks and the associated provision is set out in note 16.

Valuation of investment properties

The Group makes an estimate of the fair value of investment property at each reporting date in order to assess whether the fair value has changed significantly since the previous reporting date. When assessing the fair value, management considers current property market trends and rental yields. The carrying value of investment property is set out in note 14.

Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities.

Foreign currency transactions and balances

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

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

Tax

Current income tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on timing differences between taxable profits and profits reported in the financial statements. Deferred tax is recognised on all timing differences at the reporting date and is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Tangible assets

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

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

Depreciation

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

Asset class	Depreciation method and rate
Freehold land and buildings	Buildings 2% straight-line
Leasehold land and buildings	5-10 years straight-line or life of lease whichever shorter
Plant and machinery	2 to 5 years straight-line

Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by the directors. The directors use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss, and the assets are not depreciated.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Straight-line over 20 years

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Investments

Investments in subsidiary undertakings are stated at historical costs less provisions for impairment.

Cash and cash equivalents

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

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Borrowings

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

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

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

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

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

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends

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

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Defined contribution pension obligation

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

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

Financial instruments

Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual arrangement. Equity instruments are those that entitle the holder to a residual interest in the Company's assets after deducting all of its liabilities.

Basic financial instruments are recognised at amortised cost, except for investments in non-convertible preference and non-puttable ordinary shares which are measured at fair value, with changes recognised in profit or loss. Derivative financial instruments are initially recorded at cost and thereafter at fair value with changes recognised in profit or loss.

3 Revenue

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

	2017	2016
	£	£
Sale of goods to UK customers	12,628,670	13,023,643

4 Other operating income

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

	2017	2016
	£	£
Government grants	11,729	11,729
Rental income	36,687	9,312
	48,416	21,041

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

5 Operating profit

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	475,299	374,866
Amortisation expense	26,042	26,042
Foreign exchange losses	4,441	147,591
Operating lease expense - property	-	13,077
Operating lease expense - other	68,670	90,917
(Profit)/loss on disposal of property, plant and equipment	<u>(4,392)</u>	<u>171</u>

6 Government grants

The grant income in the period relates to the amortisation of a capital grant in line with the useful economic life of the assets funded. The amount of grants recognised in the financial statements was £11,729 (2016 - £11,729).

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and borrowings	103,272	75,798
Interest on obligations under finance leases and hire purchase contracts	878	1,390
Interest expense on other finance liabilities	<u>37,942</u>	<u>27,323</u>
	<u>142,092</u>	<u>104,511</u>

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

8 Staff costs

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

	2017 £	2016 £
Wages and salaries	2,162,499	1,877,437
Social security costs	213,590	153,861
Pension costs, defined contribution scheme	14,222	10,804
	<u>2,390,311</u>	<u>2,042,102</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Production	27	29
Administration and support	16	14
Sales	11	12
Distribution	18	12
Other departments	7	8
	<u>79</u>	<u>75</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £	2016 £
Remuneration	<u>9,324</u>	<u>14,091</u>

10 Auditors' remuneration

	2017 £	2016 £
Audit of these financial statements	<u>24,220</u>	<u>22,350</u>

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

11 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
UK corporation tax	241,358	314,389
UK corporation tax adjustment to prior periods	8,119	548
	<u>249,477</u>	<u>314,937</u>
Deferred taxation		
Arising from origination and reversal of timing differences	25,609	(9,251)
Arising from changes in tax rates and laws	(2,491)	(718)
	<u>23,118</u>	<u>(9,969)</u>
Total deferred taxation	<u>23,118</u>	<u>(9,969)</u>
Tax expense in the income statement	<u>272,595</u>	<u>304,968</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	<u>1,047,959</u>	<u>1,463,331</u>
Corporation tax at standard rate	201,732	292,666
Decrease from effect of different UK tax rates on some earnings	-	(249)
Effect of expense not deductible in determining taxable profit	65,235	38,721
Deferred tax credit relating to changes in tax rates or laws	(2,491)	(718)
Increase in UK and foreign current tax from adjustment for prior periods	8,119	548
Tax decrease from effect of adjustment in research and development tax credit	-	(26,000)
	<u>-</u>	<u>(26,000)</u>
Total tax charge	<u>272,595</u>	<u>304,968</u>

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Intangible assets

Group

	Goodwill £
Cost	
At 1 January and 31 December 2017	<u>520,842</u>
Amortisation	
At 1 January 2017	93,317
Amortisation charge	<u>26,042</u>
At 31 December 2017	<u>119,359</u>
Carrying amount	
At 31 December 2017	<u>401,483</u>
At 31 December 2016	<u>427,525</u>

The amortisation charge is included within administrative expenses.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

13 Tangible assets

Group

	Land and buildings £	Other property, plant and equipment £	Total £
Cost or valuation			
At 1 January 2017	7,867,437	592,905	8,460,342
Additions	164,517	288,051	452,568
Disposals	-	(37,267)	(37,267)
At 31 December 2017	8,031,954	843,689	8,875,643
Depreciation			
At 1 January 2017	500,792	323,971	824,763
Charge for the year	340,118	135,181	475,299
Eliminated on disposal	-	(27,409)	(27,409)
At 31 December 2017	840,910	431,743	1,272,653
Carrying amount			
At 31 December 2017	7,191,044	411,946	7,602,990
At 31 December 2016	7,366,645	268,934	7,635,579

Included within the net book value of land and buildings above is £7,191,044 (2016 - £7,366,645) in respect of freehold land and buildings.

Assets held under finance leases and hire purchase contracts

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

	2017 £	2016 £
Motor vehicles	17,208	27,029

Restriction on title and pledged as security

Land and buildings with a carrying amount of £7,191,044 (2016 - £7,366,645) has been pledged as security for borrowings due to the Group's bankers. In addition, there is a floating charge over all other assets of the Group.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

14 Investment properties

Group

Cost and carrying value	£
At 1 January 2017	280,000
Additions	565,273
	845,273

The directors have undertaken a review of the valuation of the investment properties at 31 December 2017. On the basis of current rental yields and local market conditions, the directors believe that the current market value (and fair value) of the investment properties does not differ materially from the carrying value in the financial statements.

There has been no valuation of investment property by an independent valuer.

15 Investments

Company

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2017	2016
Subsidiary undertakings				
Abacus Direct Limited*	Abacus House Jubilee Court Copgrove Harrogate North Yorkshire HG3 3TB	Ordinary	100%	100%
Design Modules Limited*	As above	Ordinary	100%	100%
Abacus Direct Properties Limited*	As above	Ordinary	100%	100%
LFZ Manufacturing Limited*	As above	Ordinary	100%	100%

* indicates direct investment of the company

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

15 Investments (continued)

Subsidiary undertakings

The principal activity of Abacus Direct Limited is the distribution and manufacture of bathroom equipment.

The principal activity of Design Modules Limited is that of general builders.

The principal activity of Abacus Direct Properties Limited is that of a property management company.

The principal activity of LFZ Manufacturing Limited is that of the manufacture of bathroom equipment.

Abacus Direct Properties Limited was incorporated on 20 April 2016 and LFZ Manufacturing Limited was incorporated on 1 March 2016. Both of these companies commenced trading on 1 August 2016.

Company

	2017 £	2016 £
Investments in subsidiaries	1,201,240	1,201,240

16 Stocks

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Raw materials and consumables	97,238	87,415	-	-
Work in progress	86,632	68,022	-	-
Finished goods and goods for resale	2,996,918	2,428,671	-	-
	3,180,788	2,584,108	-	-

Group

The cost of stocks recognised as an expense in the year amounted to £6,323,672 (2016 - £5,565,180).

Closing stock is stated after provisions for impairment of £113,804 (2016 - £284,318).

Impairment of inventories

The amount of impairment credit included in profit or loss is £170,514 (2016 - £(225,291)). The impairment credit is included in cost of sales.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

17 Debtors

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade debtors	2,585,425	2,576,316	-	-
Other debtors	118,971	51,025	507,800	335,800
Prepayments	146,665	117,690	-	-
	<u>2,851,063</u>	<u>2,745,031</u>	<u>507,800</u>	<u>335,800</u>

18 Cash and cash equivalents

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Cash on hand	929	504	-	-
Cash at bank	442,238	1,233,483	-	-
	<u>443,167</u>	<u>1,233,987</u>	<u>-</u>	<u>-</u>

19 Creditors

		Group		Company	
	Note	2017 £	2016 £	2017 £	2016 £
Due within one year					
Loans and borrowings	24	4,369,186	4,743,435	-	-
Trade creditors		846,362	618,260	-	-
Social security and other taxes		382,674	336,353	-	-
Other payables		154,625	124,976	-	124,000
Accrued expenses		80,004	110,202	-	-
Income tax liability		75,113	234,389	-	-
Deferred income		93,836	105,565	-	-
		<u>6,001,800</u>	<u>6,273,180</u>	<u>-</u>	<u>124,000</u>
Due after one year					
Loans and borrowings	24	3,108,109	3,206,677	-	-

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

20 Deferred tax and other provisions

Group

	Deferred tax £	Total £
At 1 January 2017	39,476	39,476
Profit and loss	23,118	23,118
At 31 December 2017	62,594	62,594

Deferred tax relates to accelerated capital allowances.

Legislation to maintain the rate of corporation tax in the United Kingdom at 19% was included in the Finance Act 2015. Further legislation was announced in the Finance (No2) Act 2015 to reduce the rate of corporation tax to 18% with effect from 1 April 2020. Deferred tax is provided at the rate expected to be in place at the point at which the timing differences reverse.

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £14,222 (2016 - £10,804).

22 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary A shares of £1 each	1,000	1,000	1,000	1,000
Ordinary B shares of £1 each	23	23	23	23
Ordinary C shares of £1 each	17	17	17	17
	1,040	1,040	1,040	1,040

The A Ordinary shares entitle the holders to one vote per share at a general meeting of the Company. The holders of the B Ordinary and C Ordinary shares shall not be entitled to vote.

Any available profits that the Company determines to distribute shall be distributed among the holders of the A, B and C Ordinary shares as the members holding A Ordinary shares shall from time to time direct.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

23 Dividend

	2017 £	2016 £
Interim dividend paid	10,000	10,000

24 Loans and borrowings

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Non-current loans and borrowings				
Bank borrowings	3,108,109	3,200,000	-	-
Finance lease liabilities	-	6,677	-	-
	<u>3,108,109</u>	<u>3,206,677</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Current loans and borrowings				
Bank borrowings	1,550,072	1,476,574	-	-
Finance lease liabilities	6,677	5,656	-	-
Other borrowings	2,812,437	3,261,205	-	-
	<u>4,369,186</u>	<u>4,743,435</u>	<u>-</u>	<u>-</u>

Group

Bank borrowings

Included within bank borrowings are the following items:

Invoice discounting facility

The invoice discounting facility is denominated in sterling with a nominal interest rate of 2.5%. The carrying amount at the year end is £1,458,181 (2016 - £1,476,574).

Term loan

On 20 July 2016, the Group refinanced its term loan balance. The term loan is denominated in sterling with a nominal interest rate of 1.75% above base rate (2016 - 1.75%). The loan is repayable in equal monthly instalments commencing in August 2018 and the final instalment is due in July 2031. The carrying amount at the year end is £3,200,000 (2016 - £3,200,000).

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

24 Loans and borrowings (continued)

Security of borrowings

The invoice discounting facility is secured by a charge over the debts to which the facility relates. The term loan is secured by a first legal charge over the freehold land and buildings held by the Group. The Group's bankers also hold a debenture including fixed and floating charges over all assets of the Group present and future.

Other borrowings

Other borrowings relate to loans due to directors. The loans are denominated in sterling and interest is charged at 1.5%.

25 Obligations under leases and hire purchase contracts

Group

Finance leases

The finance lease liabilities are secured against the assets to which they relate.

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	6,677	5,656
Later than one year and not later than five years	-	6,677
	<u>6,677</u>	<u>12,333</u>

The finance lease liabilities are secured against the assets to which they relate. The carrying value of the assets, against which the finance lease liabilities are secured, is provided in note 14.

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	42,524	61,525
Later than one year and not later than five years	33,184	49,934
	<u>75,708</u>	<u>111,459</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £68,670 (2016 - £103,994).

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

26 Contingent liabilities

Company

The Company has provided a cross guarantee to secure borrowings of its subsidiary undertakings. As at 31 December 2017, the net borrowings secured by the cross guarantee amounted to £2,755,164 (2016 - £1,966,517).

27 Related party transactions

Group

Transactions with directors

Bradbury & Pattison Partnership

The directors of the Group are partners in the Bradbury & Pattison Partnership. During the year the Group incurred costs in relation to rent of £Nil (2016 - £12,833). The Group also made recharges of £1,620 (2016 - £nil) and sales of £22,640 (2016 - £Nil). On 20 July 2016, the freehold property used by the Group was acquired from the Bradbury & Pattison Partnership for consideration of £5,300,000.

At 31 December 2017 there was a loan arising to Bradbury & Pattison Partnership of £120,000, (2016 - £120,000) and a net balance due from Bradbury & Pattison Partnership of £11,646 (2016 - £11,526).

As at 31 December 2017 the Group owed Mr S P Bradbury £1,312,167 (2016 - £1,629,701) and Mr I D Pattison £1,500,270 (2016 - £1,755,504). Interest amounting to £20,311 (2016 - £9,309) was charged in respect of the balance due to S P Bradbury and interest amounting to £22,659 (2016 - £10,260) was charged in respect of the balance due to Mr I D Pattison.

Summary of transactions with other related parties

BDL Marketing Limited

BDL Marketing Limited is a company under common control. During the year the Group purchased services of £12,000 (2016 - £29,682) from BDL Marketing Limited. As at 31 December 2017, BDL Marketing Limited was owed £180 from (2016 – owed £12,485 to) the Group.

Company

The Company has taken the exemption set out in FRS 102 from disclosing transactions with other members of the group.

Abacus Direct Manufacturing Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

28 Financial instruments

All financial assets and liabilities are included in the financial statements at amortised cost.

Group

Categorisation of financial instruments

	2017 £	2016 £
Financial assets that are debt instruments measured at amortised cost	3,147,563	3,861,328
	<u>3,147,563</u>	<u>3,861,328</u>
Financial liabilities measured at amortised cost	9,278,286	8,803,550
	<u>9,278,286</u>	<u>8,803,550</u>

Items of income, expense, gains or losses

The total interest expense for financial liabilities not measured at fair value through profit or loss is £Nil (2016 - £104,511).

Impairment

Financial assets measured at amortised cost

The amount of the impairment loss during the year is £18,597 (2016 - £157,760).

29 Parent and ultimate parent undertaking

The ultimate controlling parties are Mr I D Pattison and Mr S P Bradbury.