Company Registration No. 06061318 (England and Wales)

The Millboard Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

THE MILLBOARD COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr G Douglass Mr J E Douglass Mr J Douglass Mr H J Douglass (Appointed 9 April 2018)
Company Secretary	Mrs A Douglass
Company number	06061318
Registered office	Unit A, Castle Court Bodmin Road Coventry CV2 5DB
Auditor	RSM UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Solicitor	Browne Jacobson LLP Victoria Square House Victoria Square Birmingham B2 4BU

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STRATEGIC REPORT
For the year ended 31 December 2018

The directors present their strategic report and financial statements for the year ending 31 December 2018.

Review of the business
The principal activities of the company were the design, development, manufacture and distribution of timber-free decking and other innovative products for the garden and outdoor realm. Architects and designers for domestic, commercial and public projects frequently specify Millboard products. Patents protect the company's principal products. Further information is available at www.millboard.co.uk.

The results for the year and financial position of the company are shown fully in the annexed financial statements.

The Millboard brand has grown from strength to strength, being recognised for high-end, quality product and customer service. Demand for the company's products continued to increase and this growth has continued into 2019. The company is an acknowledged market leader in timber-free decking and accessories. The directors have identified substantial further potential to increase export sales and to develop new products. Some of that potential has already been realised during 2019, following commissioning of a new production line in September 2018. Further developments are planned for later in 2019 and during 2020.

Some specific batches of product manufactured during 2016 had a condition that caused a change in surface appearance. Expert investigations have attributed this problem to faulty batches of coating supplied to Millboard. From early 2017 a new improved method has been used in production, which was rigorously tested in the laboratory. Product installations in the field have now proved that this new coating process results in fully durable product. The company is pursuing a claim against the supplier's product liability insurer in respect of the suspect raw material supplied in 2016. There is no anticipation in the financial statements of recoveries that may result from this claim.

The company is a wholly-owned subsidiary of Elmdene Group Limited, a company registered in England and Wales number 06890168. That parent company has the same directors as this company and is committed to providing such additional finance as this company may require. A formal agreement is in place to facilitate this. The directors have successfully maintained their policy of paying all agreed supplier invoices by their due date.

Principal risks and uncertainties
Most of the company's customers are in the construction sector and consequently it is exposed to risks and uncertainties typical of that sector, including: exit of the UK from the EU; changes in currency exchange rates; increases in purchase prices; increased competition, particularly from imports; technological challenges; increasing regulation; activity cycles in the sector; international economic instability.

The warranty provision in the financial statements is mainly in respect of the 2016 incident referred to above. It covers the costs of all claims notified up to the date of approving this report and a further provision to meet potential future claims that may arise for the duration of the warranty period. The charge during 2018 mainly results from a fuller understanding of the costs relating to the 2016 issue, rather than provisions for current production. Additional information is provided at Note 14 to the financial statements.

The directors have assessed future risks and challenges and have confidence in the company's future.

STRATEGIC REPORT
For the year ended 31 December 2018

Development and performance
During the year the company increased sales by 15%, achieving growth in both export and UK markets. Growth has been sustained during the current year to date. The profit during the year before taxation was £2,058,399 (2017 - £2,564,380). This reduction in profit largely results from productivity challenges related to the commissioning of new plant, also the costs of additional resources provided in preparation for future growth. Stocks were reduced by £1,623,189 and the working capital released was mainly used to reduce the amount owed to the parent company. Retained earnings rose by £2,208,898 to positive £1,961,082 at the year-end (2017 - £247,816 negative) and are adequate to finance the directors' current plans for further growth.

As most of the fixed assets and finance used by the company are owned by its parent company Elmdene Group Limited, the directors recommend referring to the consolidated accounts of that company for meaningful information on equity and reserves.

Millboard products continue to be recognised for their features and benefits. The proven export potential gave the directors confidence to invest in a state of the art bespoke production line. Commissioning of this new plant in September 2018 has greatly increased manufacturing capacity for 2019. These assets are owned by Elmdene Group Limited and are not reflected in these financial statements.

Financial key performance indicators
The key performance indicator used to determine the progress and performance of the company is total turnover. The 2018 turnover of £26,764,245 was a 15% increase on the 2017 figure of £23,276,526.

Research and development
Expenditure and focus on Research and Development has risen considerably through a number of projects, as the company continues to live its values of continuous improvement and product innovation. Employment of skilled sales and operations managers helped the founders of the business to spend more time on Research and Development of both existing and new products. This investment in future business opportunities is considered essential to ensure that the company's product range keeps up to date and remains competitive. The company and its parent company are certified to ISO9001, ISO14001 and ISO18001.

Financial risk management objectives and policies
The Company is potentially exposed to cash flow, credit, and liquidity risk.

Cash flow risk
The Company manages these risks by financing its operations through retained profits, supplemented by borrowings from its parent company. The directors recognise that the company's sales have a seasonal pattern which produces a cyclical requirement for working capital.

Credit risk
The Company's principal financial assets are bank balances, trade receivables and stocks. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company's credit risk is primarily attributable to its trade receivables. This is spread over a reasonably large number of customers, mainly with high credit ratings and is also mitigated by a credit insurance policy.

Liquidity risk
The management objectives are to retain sufficient liquid funds to enable the company to meet its day to day requirements, minimise the Company's exposure to fluctuating interest rates and match the repayment schedule of any external borrowings with the future cash flows expected to arise from the Company's trading activities.

On behalf of the board

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Mr J E Douglass
Director
16/09/2019

THE MILLBOARD COMPANY LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2018

The directors present their report and financial statements for the year ended 31 December 2018.

Principal Activities
The principal activities of the company were the design, development, manufacture and distribution of timber-free decking and other innovative products for the garden and outdoor realm.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr G Douglass
Mr J E Douglass
Mr J Douglass
Mr H J Douglass (Appointed 9 April 2018)

Directors indemnity provisions
The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in place at the reporting date.

Results and dividends
The results for the year are set out on page 7. No ordinary dividends were paid during the year.

Statement of disclosure to the auditor
As far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
RSM UK Audit LLP are deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

Strategic Report
Information as required by Schedule 7 of the Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008 has been included in the Strategic Report.

This report was approved by the board of directors on 16/09/2019 and signed on behalf of the board by:

Mr James Douglass
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 31 December 2018

The directors are responsible for preparing the directors' report and 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 then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

Opinion

We have audited the financial statements of The Millboard Company Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of income and retained earnings, statement of financial position 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

Paul Oxtoby (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
RSM UK LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 16 September 2019

THE MILLBOARD COMPANY LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	26,764,245	23,276,526
Cost of sales		(18,328,049)	(14,494,099)
Gross profit before warranty claims		8,436,196	8,782,427
Warranty claims & provisions		(2,058,623)	(2,698,546)
Gross profit		6,377,573	6,083,881
Administrative expenses		(4,245,205)	(3,513,064)
Operating profit	4	2,132,368	2,570,817
Interest receivable and similar income		3,983	8,540
Interest payable and similar expenses	7	(77,952)	(14,977)
Profit before taxation		2,058,399	2,564,380
Taxation	8	150,499	(556,669)
Profit for the financial year		2,208,898	2,007,711
Retained earnings at 1 January		(247,816)	(2,255,527)
Retained earnings at 31 December		1,961,082	(247,816)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes		2018		2017
		£	£	£	£
Fixed assets					
Intangible assets	9		15,962		13,577
Tangible assets	10		146,366		179,901
			162,328		193,478
Current assets					
Stocks	11	2,417,850		4,041,039	
Debtors	12	4,007,529		3,057,435	
Cash at bank		154,956		70,905	
		6,580,335		7,169,379	
Creditors: amounts falling due within one year	13	(2,051,576)		(4,080,669)	
Net current assets			4,528,759		3,088,710
Total assets less current liabilities			4,691,087		3,282,188
Provisions for liabilities	14		2,730,000		3,530,000
Capital and reserves					
Called up share capital	15		4		4
Profit and loss reserves	16		1,961,082		(247,816)
Total equity			1,961,086		(247,812)
			4,691,086		3,282,188

These financial statements were approved by the board of directors and authorised for issue on 16 September 2019 and are signed on behalf of the board by:

Mr James Douglass
Director

Company registration number: 06061318

1. Accounting policies

Company information
The Millboard Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A, Castle Court, Bodmin Road, Coventry, CV2 5DB. The company registration number is 06061318.

Accounting convention
These financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized companies and groups (accounts and reports) regulations 2008, under the historical cost convention.

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

Reduced Disclosures
The company has taken advantage of the exemption from disclosing the following information as permitted by the reduced disclosure scheme under FRS102:

Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
Section 33 'Related Party Disclosures' – Compensation for key management personnel

Going concern
The financial statements have been prepared on a going concern basis. The company continues to rely on its parent company for financial support and the Directors of the parent company have confirmed their continued financial support for the foreseeable future.

Turnover
Turnover is recognised at the fair value of the consideration received or receivable for goods and services in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. Accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives at 15% to 33.33% on the straight line basis or 25% on the reducing balance basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Intangible fixed assets
Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	3 years

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Impairment of fixed assets
At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1. Accounting policies (continued)

Financial instruments
The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1. Accounting policies (continued)

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and 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 reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged directly to equity, in which case the deferred tax is dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions
Provisions are recognised when the group has a legal or constructive present obligation 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision in measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employment benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1. Accounting policies (continued)

Leases (continued)
Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2. Areas of significant judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. 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:

Warranty provision
A provision is recognised for potential warranty claims on products sold. The directors have made key assumptions regarding future anticipated costs having due regards for costs incurred historically, knowledge of the business and work not yet completed at the reporting date.

Taxation
The Company establishes provisions for corporation tax payable based on reasonable estimates from its professional advisors.

Slow moving stock provision
The directors have made key assumptions in calculating the provision included within the financial statements for potentially obsolete stock, based on their knowledge of the business and future anticipated sales. Stock included on the balance sheet is net of this provision.

3. Turnover

An analysis of the group's turnover is as follows:

	2018 £	2017 £
Turnover		
Sale of Goods	26,764,245	23,276,526
Turnover analysed by geographical market		
United Kingdom	21,187,201	18,925,760
Europe	2,635,944	1,629,423
Rest of the World	2,941,100	2,721,343
	26,764,245	23,276,526

4. Operating profit

Operating profit for the year is stated after charging/(crediting):

	2018 £	2017 £
Loss/(profit) on disposal of tangible fixed assets	8,359	(2,000)
Loss on disposal of intangible fixed assets	-	1,050
Depreciation of owned tangible fixed assets	41,847	44,128
Depreciation of tangible fixed assets held under finance lease	3,835	9,693
Amortisation of intangible fixed assets	9,615	10,583
Exchange gains	(15,140)	(1,772)
Operating lease charges	32,989	14,284
Cost of stock recognised as an expense	11,148,113	7,182,572
Research and development costs	381,662	211,773
Fees payable to the company's auditor for the audit of the company's financial statements	17,875	16,500

5. Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Indirect	31	27
Direct	79	79
Total	110	106

Their aggregate remuneration comprised:

	2018	2017
Wages and salaries	4,194,072	3,878,961
Social security costs	456,697	419,455
Pension costs	45,802	23,338
	4,696,571	4,321,754

6. Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	331,200	184,082

The number of directors accruing pension benefits was 2 (2017: 3).

The highest paid director received remuneration of £110,400 during the year.

7. Interest payable

	2018 £	2017 £
Group interest	77,206	14,393
Other interest	746	584
	77,952	14,977

8. Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	-	119,167
Adjustments in respect of prior periods	(119,167)	155,453
Total current tax	(119,167)	274,620
Deferred tax		
Origination and reversal of timing differences	142,881	282,049
Adjustment in respect of prior periods	(174,213)	-
Total tax (credit)/charge	(150,499)	556,669

	2018 £	2017 £
Profit before taxation	2,058,399	2,564,380
Expected tax charge based on a corporation tax rate of 19.0% (2017: 19.25%)	391,096	493,643
Tax effect of expenses that are not deductible in determining taxable profit	2,753	1,382
Additional deduction for R&D expenditure	(233,697)	(52,987)
Other permanent differences	(88,496)	-
Group relief claimed	(462)	-
Deferred tax not recognised	-	(3,144)
Change to deferred tax rate	71,687	(37,678)
Tax adjustments in respect of prior years	(293,380)	155,453
Tax (credit)/charge for the year	(150,499)	556,669

9. Intangible fixed assets

	IT Software
	£
Cost	
At 1 January 2018	30,830
Additions	12,000
31 December 2018	42,830
Depreciation and impairment	
At 1 January 2018	17,253
Depreciation charged in the year	9,615
31 December 2018	26,868
Carrying amount	
At 31 December 2018	15,962
At 31 December 2017	13,577

10. Tangible fixed assets

	Plant & Machinery	Fixtures, Fittings & Equipment	Motor Vehicles	Total
	£	£	£	£
Cost				
At 1 January 2018	58,063	37,053	197,148	292,264
Additions	3,879	17,876	-	21,755
Disposals	-	(1,542)	(21,899)	(23,441)
At 31 December 2018	61,942	53,387	175,249	290,578
Depreciation and impairment				
At 1 January 2018	22,572	11,000	78,791	112,363
Depreciation charged in the year	10,342	7,084	28,256	45,682
Eliminated in respect of disposals	-	(1,269)	(12,564)	(13,833)
At 31 December 2018	32,914	16,815	94,483	144,212
Carrying amount				
At 31 December 2018	29,028	36,572	80,766	146,366
At 31 December 2017	35,491	26,053	118,357	179,901

10. Tangible Fixed Assets (continued)

Carrying value of tangible fixed assets held under a finance lease

	2018 £	2017 £
Motor vehicles	11,505	29,078

11. Stocks

	2018 £	2017 £
Raw Materials and consumables	562,619	562,215
Finished goods and goods for resale	1,855,231	3,478,824
	2,417,850	4,041,039

12. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,877,785	2,346,501
Amounts due from group undertakings	850,805	6,078
Other debtors	1,094	1,056
Corporation tax recoverable	100,000	228,538
VAT recoverable	1,485	361,094
Prepayments and accrued income	129,733	98,873
Deferred tax asset	46,627	15,295
	4,007,529	3,057,435

	2018 £	2017 £
Movement in deferred tax:		
1 January	15,295	297,344
Movement in provision	31,332	(282,049)
31 December	46,627	15,295

The deferred tax asset is comprised of:

	2018 £	2017 £
Fixed asset timing differences	12,805	14,634
Short term timing differences	1,708	661
Losses and other deductions	32,114	-
	46,627	15,295

These are expected to reverse within 12 months.

13. Creditors: amounts falling due within one year

	2018 £	2017 £
Obligations under finance leases	578	13,013
Trade creditors	1,351,896	1,458,526
Amounts due to group undertakings	329,300	2,259,425
Other taxation and social security	155,144	129,105
Other creditors	25,090	26,435
Accruals and deferred income	189,568	194,165
	2,051,576	4,080,669

Other creditors include pension contributions of £10,047 (2017: £3,845) due to the scheme.

Finance lease obligations are secured over the relevant assets.

14. Provision for liabilities

	Total £
1 January 2018	3,530,000
Utilised during the year	(2,858,623)
Charge for the year	2,058,623
31 December 2018	2,730,000

As at 31 December 2018, the Company carried a warranty provision of £2,730,000 (2017: £3,530,000) against the cost of replacing products where there were known specific warranty issues.

Determining the amount of the provision, which reflects the Board's best estimate of resolving these issues, requires the exercise of significant judgement. It is necessary, therefore, to form a view on matters which are inherently uncertain, such as the claims profile over time, the final claim rate, whether the claim rates from different sales channels will vary and the average cost of redress.

The key drivers relating to the warranty provision as at 31 December 2018 and the work the Board has undertaken to assess them, are set out below:

- **Final claim percentage rate**. The Board has used past experience of the Company's product claims to develop a model of the expected claims profile in order to estimate the final claim percentage rate, using the best available data.
- **The claims rate for each year affected**. The Board has considered the specific factors in the manufacturing process during each year that have an effect on claim rates.
- **Different product claim rates from different sales channels**. The Board has estimated the expected product claim rates for different sales channels based on the Group's past experience.
- **Cost of redress**. The cost of issuing free of charge replacements and of reinstatement are relatively straightforward to determine and as such, this is the lowest risk assumption in the model.

15. Called up share capital

	2018	2017
	£	£
Ordinary share capital - Authorised		
500 Ordinary 'A' shares of £1 each	500	500
500 Ordinary 'B' shares of £1 each	500	500
	1,000	1,000
Issued and fully paid		
4 Ordinary 'A' shares of £1 each	4	4

16. Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

17. Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£	£
Within one year	32,129	5,102
Between one and five years	19,820	4,063
	51,949	9,165

18. Related party transactions

Murray Uniforms Limited

During the year the company recharged business expenses of £41,754 (2017: £50,381) to Murray Uniforms Limited, a fellow subsidiary company of Elmdene Group Limited. During the year the company purchased goods totalling £3,327 (2017: £2,894) and received recharges of £nil (2017: £327) for other business expenses from Murray Uniforms Limited. At the year end the balance due from Murray Uniforms Limited was £805 (2017: £6,078).

Other

During the year the company purchased goods totalling £125,650 (2017: £91,275), from businesses connected to close family members of the Directors. The owed balance at 31 December 2018 was £3,911 (2017: £5,751).

During the year the company purchased services from Factor 4 UK Ltd totalling £562 (2017: £5,854), a company of which Mr J E Douglass was a director until 26 February 2018. At the year end the balance owed was £108 (2017: £1,909).

During the year the company sold goods to the value of £8,207 (2017 £nil) to a son in law of Mr J E Douglass. The balance owed at the year-end was £nil (2017: £nil)

The company has taken advantage of the exemption available in FRS 102 Section 33 whereby it has not disclosed transactions with Elmdene Group Limited.

19. Parent company

The company's immediate and ultimate parent company is Elmdene Group Limited. Their registered office is Unit A, Castle Court, Bodmin Road, Coventry, West Midlands, CV2 5DB. This is the smallest and largest group for which consolidated accounts that include the company's results are prepared. The ultimate controlling party is the Board of Directors of Elmdene Group Limited.