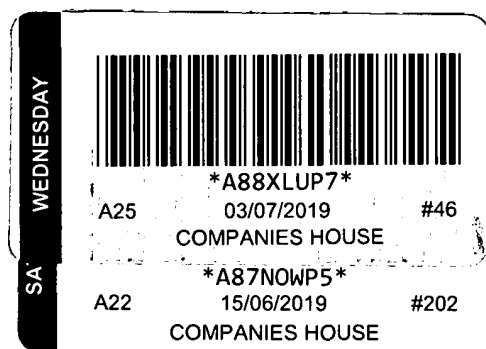


Company Registration No. 00057091 (England and Wales)

**FURLONG MILLS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



# FURLONG MILLS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr B W J Phillips Mr M J Roper Mr R E Gruning Mr M S Nutting Mr D J S Taylor Mr M T Raybould	(Appointed 22 February 2019) (Appointed 22 February 2019)
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<b>Secretary</b>	Mr R E Gruning
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<b>Company number</b>	00057091
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<b>Registered office</b>	Furlong Lane Burslem Stoke-on-Trent Staffordshire ST6 3LE
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<b>Auditor</b>	Geens Limited 68 Liverpool Road Stoke-on-Trent Staffordshire ST4 1BG
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# **FURLONG MILLS LIMITED**

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# **FURLONG MILLS LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their strategic report for the year ended 31 December 2018.

### **Fair review of the business**

Furlong Mills Ltd is a strategic supplier of processed raw materials, ceramic bodies and glaze to the ceramic industry and maintains its philosophy of continual investment in people, plant and machinery which has enabled the company to expand its portfolio of products offered to the industry giving the customer base the confidence of a secure supply chain.

A year on year increase in the company's turnover supplying on time, high quality products justifies the Board's investment decisions.

### **Principal risks and uncertainties**

The company identifies and analyses principle risks and uncertainties and makes decisions to lessen the impact of such risks and uncertainties as follows;

- Managing foreign currency risk on transactions by entering into forward currency contracts to reduce significant price volatility of raw material purchases.
- Maintaining a very close working relationship with key suppliers of utilities, engineering and raw materials.
- Managing stock levels of strategic raw materials to enable the company to supply consistently on time regardless of possible issues within the supply chain (Brexit being at the forefront).
- The company employs a multi-skilled workforce which plays a key part in successfully delivering the required products to the customer base.
- The company employs skilled engineering staff and has a planned maintenance programme in place. Strategic engineering components are held in stock.
- Succession planning strategy in place.

In particular, during 2018, Furlong Mills Ltd has recognised the difficult trading conditions that major customer and shareholder, Dudson (Holdings) Ltd, has been operating under. During the year the company had taken sensible measures to reduce the risks involved when trading with Dudsons. Shortly before these accounts were approved it was announced that Dudson (Holdings) Ltd had been placed into administration. The Furlong Board have, and will continue, to consider the impact on current and future business, and have formulated a strategy which enables Furlong to continue with its current business and investment programme.

### **Development and performance**

Health and Safety:

The company works to identify and eliminate all risks through training, investment and continual improvement.

### **Key performance indicators**

Quality Control: Research and Development:

The company has an excellent reputation for the quality and consistency of its products and through ISO 9001-2015 the company follows strict quality control procedures. Off-site technical support is provided to its customers. The company also engages in extensive research and development collaborating with suppliers and customers developing what the ceramic industry requires today and for the future.

# **FURLONG MILLS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

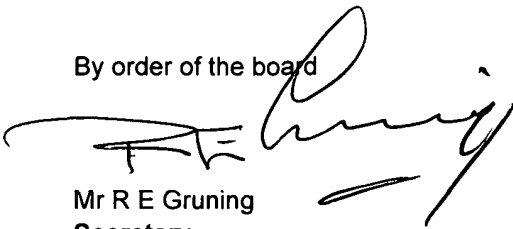
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### **Other information and explanations**

#### **Future Plans:**

The company is a strategic supplier to the ceramic industry and to maintain its standing within the industry a policy of continuous capital investment is in place in the form of a rolling 5 year plan reviewed at Board level not only upgrading current plant and machinery but also focusing on new business areas. Workforce multiskilling, training and succession planning form a key part of the company's strategy.

By order of the board



Mr R E Gruning  
**Secretary**  
26 April 2019

# **FURLONG MILLS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

---

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

#### **Principal activities**

The principal activity of the company continued to be that of supplying processed materials to the ceramic industry.

#### **Directors**

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

Mr B W J Phillips

Mr M J Roper

Mr R E Gruning

Mr D M Dudson

(Resigned 22 February 2019)

Mr M S Nutting

Mr D J S Taylor

(Appointed 22 February 2019)

Mr M T Raybould

(Appointed 22 February 2019)

#### **Results and dividends**

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

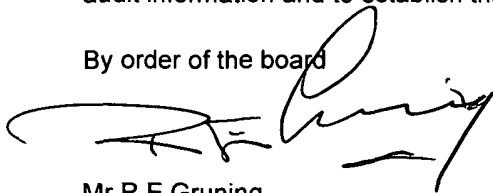
#### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Geens Limited will therefore continue in office.

#### **Statement of disclosure to auditor**

So 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 the 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.

By order of the board



Mr R E Gruning

**Secretary**

26 April 2019

# **FURLONG MILLS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 judgements 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.

# FURLONG MILLS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF FURLONG MILLS LIMITED

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#### Opinion

We have audited the financial statements of Furlong Mills Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the 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 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; 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 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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



# **FURLONG MILLS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FURLONG MILLS LIMITED**

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### **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 where 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, 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.

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.



**Karen Lowe FCA BSc (Hons) (Senior Statutory Auditor)**  
for and on behalf of Geens Limited

26 April 2019

**Chartered Accountants**  
**Statutory Auditor**

68 Liverpool Road  
Stoke on Trent  
Staffordshire  
ST4 1BG

# FURLONG MILLS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover		9,572,287	8,630,594
Cost of sales		(8,046,537)	(7,247,750)
<b>Gross profit</b>		<b>1,525,750</b>	<b>1,382,844</b>
Distribution costs		(298,967)	(265,517)
Administrative expenses		(743,672)	(666,199)
Other operating income		33,168	52,967
<b>Operating profit</b>	<b>3</b>	<b>516,279</b>	<b>504,095</b>
Interest receivable and similar income		88	18
Interest payable and similar expenses		(50)	(43)
<b>Profit before taxation</b>		<b>516,317</b>	<b>504,070</b>
Tax on profit	<b>6</b>	(85,516)	(74,858)
<b>Profit for the financial year</b>		<b>430,801</b>	<b>429,212</b>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# FURLONG MILLS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	7		3,158,304		2,886,484
<b>Current assets</b>					
Stocks	9	1,304,132		1,125,825	
Debtors	10	1,600,966		1,288,695	
Cash at bank and in hand		719,842		1,497,758	
		<u>3,624,940</u>		<u>3,912,278</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,763,390)</u>		<u>(1,767,757)</u>	
<b>Net current assets</b>			1,861,550		2,144,521
<b>Total assets less current liabilities</b>			5,019,854		5,031,005
<b>Provisions for liabilities</b>	12		<u>(205,192)</u>		<u>(174,726)</u>
<b>Net assets</b>			<u>4,814,662</u>		<u>4,856,279</u>
<b>Capital and reserves</b>					
Called up share capital	15		5,636		6,240
Capital redemption reserve	16		4,764		4,160
Profit and loss reserves			<u>4,804,262</u>		<u>4,845,879</u>
<b>Total equity</b>			<u>4,814,662</u>		<u>4,856,279</u>

The financial statements were approved by the board of directors and authorised for issue on 26 April 2019 and are signed on its behalf by:

Mr R E Gruning  
Director

Mr D J S Taylor  
Director

Company Registration No. 00057091

# FURLONG MILLS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2017</b>		6,240	4,160	4,416,667	4,427,067
<b>Year ended 31 December 2017:</b>					
Profit and total comprehensive income for the year		-	-	429,212	429,212
<b>Balance at 31 December 2017</b>		6,240	4,160	4,845,879	4,856,279
<b>Year ended 31 December 2018:</b>					
Profit and total comprehensive income for the year		-	-	430,801	430,801
Own shares acquired		-	-	(472,418)	(472,418)
Redemption of shares	15	-	604	-	604
Reduction of shares	15	(604)	-	-	(604)
<b>Balance at 31 December 2018</b>		5,636	4,764	4,804,262	4,814,662

# FURLONG MILLS LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	20	237,476		555,675	
Interest paid		(50)		(43)	
Income taxes paid		(56,577)		(48,243)	
<b>Net cash inflow from operating activities</b>		<b>180,849</b>		<b>507,389</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(492,235)		(234,605)	
Proceeds on disposal of tangible fixed assets		5,800		1,250	
Interest received		88		18	
<b>Net cash used in investing activities</b>		<b>(486,347)</b>		<b>(233,337)</b>	
<b>Financing activities</b>					
Purchase of own shares		(472,418)		-	
Payment of finance leases obligations		-		(3,913)	
<b>Net cash used in financing activities</b>		<b>(472,418)</b>		<b>(3,913)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(777,916)</b>		<b>270,139</b>	
Cash and cash equivalents at beginning of year		1,497,758		1,227,619	
<b>Cash and cash equivalents at end of year</b>		<b>719,842</b>		<b>1,497,758</b>	

# **FURLONG MILLS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **1 Accounting policies**

#### **Company information**

Furlong Mills Limited is a private company limited by shares incorporated in England and Wales. The registered office is Furlong Lane, Burslem, Stoke-on-Trent, Staffordshire, ST6 3LE.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Turnover**

Turnover represents amounts receivable for goods and services net of VAT, trade and other discounts.

All turnover and profits are derived from the company's principal activity of supplying processed materials to the ceramic industry.

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.

#### **1.4 Tangible fixed assets**

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% per annum
Plant and machinery	7% per annum
Laboratory, computer and office equipment	20% per annum
Motor vehicles	25% per annum on net book value

Freehold land and assets in the course of construction are not depreciated.

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.

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.5 Impairment of fixed assets

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of tangible fixed assets over its estimated recoverable amount is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.6 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.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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.

#### 1.7 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 balance sheet 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 trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs 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.

##### **Derivative financial instruments**

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered in to and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

##### **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. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

##### **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.

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other 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.

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. Trade creditors 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.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### **Derecognition of financial liabilities**

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

### 1.8 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 or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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 the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 or credited directly to equity, in which case the deferred tax is also 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.



# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.9 Employee 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.

#### 1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.11 Leases

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 more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

### 2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible 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. See note 7 for the carrying amount of the property, plant and equipment, and note 1.4 for the useful economic lives of each class of assets.

#### *Inventory provisioning*

The company supplies processed materials to the ceramic industry. As a result it is necessary to consider the recoverability of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 9 for the net carrying amount of stock and associated provision.

#### *Impairment of debtors*

The company makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 10 for the net carrying amount of the debtors and associated impairment provision.

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	10,000	9,750
Depreciation of owned tangible fixed assets	213,726	206,654
Loss/(profit) on disposal of tangible fixed assets	889	(1,250)
Operating lease charges	62,516	58,008
	<u>          </u>	<u>          </u>

#### 4 Employees

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

	2018 Number	2017 Number
Management and directors	6	6
Staff	10	10
Direct labour	38	37
	<u>          </u>	<u>          </u>
	54	53
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,362,740	1,233,240
Social security costs	115,368	107,368
Pension costs	45,151	40,176
	<u>          </u>	<u>          </u>
	1,523,259	1,380,784
	<u>          </u>	<u>          </u>

#### 5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	206,245	189,496
Company pension contributions to defined contribution schemes	17,550	15,198
	<u>          </u>	<u>          </u>
	223,795	204,694
	<u>          </u>	<u>          </u>

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 5 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	101,325	92,940
Company pension contributions to defined contribution schemes	10,950	10,216

### 6 Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	69,475	71,002
Adjustments in respect of prior periods	(14,425)	(20,241)
Total current tax	55,050	50,761
<b>Deferred tax</b>		
Origination and reversal of timing differences	30,466	24,097
Total tax charge	85,516	74,858

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	516,317	504,070
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	98,100	97,033
Tax effect of expenses that are not deductible in determining taxable profit	770	-
Capital allowances in excess of depreciation	(29,395)	(26,031)
R&D Tax credit	(14,425)	(20,241)
Deferred taxation for the year	30,466	24,097
Taxation charge for the year	85,516	74,858

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 7 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 January 2018	3,166,771	5,807,696	8,974,467
Additions	9,377	482,858	492,235
Disposals	-	(27,376)	(27,376)
At 31 December 2018	3,176,148	6,263,178	9,439,326
<b>Depreciation and impairment</b>			
At 1 January 2018	2,049,002	4,038,981	6,087,983
Depreciation charged in the year	17,913	195,813	213,726
Eliminated in respect of disposals	-	(20,687)	(20,687)
At 31 December 2018	2,066,915	4,214,107	6,281,022
<b>Carrying amount</b>			
At 31 December 2018	1,109,233	2,049,071	3,158,304
At 31 December 2017	1,117,769	1,768,715	2,886,484

### 8 Financial instruments

	2018 £	2017 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	1,454,740	1,218,285
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	1,407,810	1,423,733

### 9 Stocks

	2018 £	2017 £
Raw materials and consumables	1,127,700	945,125
Work in progress	17,422	16,328
Finished goods and goods for resale	159,010	164,372
	1,304,132	1,125,825

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	733,200	607,070
Amounts owed by group undertakings	709,594	609,459
Other debtors	11,946	1,756
Prepayments and accrued income	146,226	70,410
	<u>1,600,966</u>	<u>1,288,695</u>

### 11 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	794,355	786,044
Amounts due to group undertakings	424,265	531,512
Corporation tax	69,475	71,002
Other taxation and social security	286,105	273,022
Other creditors	15,971	18,172
Accruals and deferred income	173,219	88,005
	<u>1,763,390</u>	<u>1,767,757</u>

### 12 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	13	<u>205,192</u>	<u>174,726</u>

### 13 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
<b>Balances:</b>		
Accelerated capital allowances	<u>205,192</u>	<u>174,726</u>

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Deferred taxation (Continued)

	2018 £
<b>Movements in the year:</b>	
Liability at 1 January 2018	174,726
Charge to profit or loss	30,466
Liability at 31 December 2018	<u>205,192</u>

### 14 Retirement benefit schemes

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>45,151</u>	<u>40,176</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 15 Share capital

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
5,636 Ordinary shares of £1 each	<u>5,636</u>	<u>6,240</u>
	<u>5,636</u>	<u>6,240</u>

### 16 Capital redemption reserve

On 21 November 2018 the company purchased and subsequently cancelled 604 ordinary shares with a nominal value of £604. The ordinary shares were acquired for a consideration of £472,418 at an average price of £782.15 per share. The consideration includes the price paid for the shares plus stamp duty.

### 17 Financial commitments

The company purchases inventories from suppliers in Euros and has entered in to forward foreign currency contracts to hedge its exchange rate risk arising from these anticipated transactions. As at 31 December 2018 the company is committed to purchasing €1,100,000 (2017 - €950,000) from a financial institution. Gains of £10,733 (2017 - £1,939) were recognised in profit and loss for the period to reflect the increase in the fair value of the hedging instrument at the period end.

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 18 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	60,769	54,407
Between two and five years	111,043	124,767
In over five years	16,560	2,099
	<u>188,372</u>	<u>181,273</u>

### 19 Related party transactions

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods	
	2018 £	2017 £
Shareholder companies	<u>5,210,737</u>	<u>4,691,711</u>

	Management charge	
	2018 £	2017 £
Shareholder companies	<u>26,250</u>	<u>32,083</u>

The following amounts were outstanding at the reporting end date:

	2018 £	2017 £
<b>Amounts owed to related parties</b>		
Shareholder companies	<u>424,265</u>	<u>531,512</u>
<b>Amounts owed by related parties</b>		
Shareholder companies	<u>709,594</u>	<u>609,459</u>

# FURLONG MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 20 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	430,801	429,212
<b>Adjustments for:</b>		
Taxation charged	85,516	74,858
Finance costs	50	43
Investment income	(88)	(18)
Loss/(gain) on disposal of tangible fixed assets	889	(1,250)
Depreciation and impairment of tangible fixed assets	213,726	206,654
<b>Movements in working capital:</b>		
(Increase) in stocks	(178,307)	(13,807)
(Increase) in debtors	(312,271)	(67,798)
(Decrease) in creditors	(2,840)	(72,219)
<b>Cash generated from operations</b>	<u>237,476</u>	<u>555,675</u>