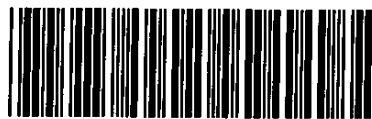


**Furlong Mills Ltd**

**Annual report and financial statements  
for the year ended 31 December 2022**

Registered number: 00057091

SATURDAY



\*ACD4U06W\*

A13

30/09/2023

#24

COMPANIES HOUSE

## **Annual report and financial statements for the year ended 31 December 2022**

	Page
Directors and advisers	3
Strategic report for the year ended 31 December 2022	4
Directors' report for the year ended 31 December 2022	9
Income statement for the year ended 31 December 2022	14
Statement of comprehensive income for the year ended 31 December 2022	14
Statement of financial position as at 31 December 2022	15
Statement of changes in equity for the year ended 31 December 2022	16
Notes to the financial statements for the year ended 31 December 2022	17

Furlong Mills Ltd.

## **Directors and advisers**

### **Executive directors**

D M O'Connor  
D J S Taylor (Resigned 12 April 2023)  
J A Roper  
S R Brown  
M T Sinclair (Appointed 24 March 2023)  
M Cunningham (Appointed 8 June 2023)

### **Company secretary and registered office**

M T Sinclair ACA  
No.1, Marlborough Way  
Sandyford  
Stoke on Trent  
Staffordshire  
ST6 5NZ

### **Solicitors**

Addleshaw Goddard LLP  
One St Peters Square  
Manchester  
M2 3DE

### **Bankers**

Natwest plc  
2<sup>nd</sup> Floor  
1 Upper Market Square  
Hanley  
Stoke on Trent  
Staffordshire  
ST1 1NS

## **Strategic report for the year ended 31 December 2022**

The directors present their Strategic report and the audited financial statements of the Company for the year ended 31 December 2022.

A review of the operations of the Company during the year and its future prospects are given in the Business review in the following pages.

### **Business purpose**

Furlong Mills' business purpose is to provide processed raw materials, ceramic bodies and glaze to the ceramic industry on a long term and sustainable basis. Within this purpose we aim to deliver value to all our stakeholders through the supply of high quality performance products, beneficial partnerships and secure employment.

### **Values**

We have a long established business and have developed a core set of values over time. Furlong Mills aims to deliver outstanding performance in terms of product innovation, quality and service, *anticipating and responding to market requirements*. We aim to build strong relationships with our stakeholders and operate in a systematic, trustworthy and professional manner.

### **Culture**

Furlong Mills has developed a business culture emphasising continuous improvement, a high level of service to customers and strong relationships with all our stakeholders. This culture has formed an important part of the Company's long term success and development. Our culture is led by the Board, but is driven by our employees. Whilst the Board has established standards, policies and procedures to frame our culture we see its development and implementation as a product of regular communication between all our employees and other stakeholders. We believe we have an open and sharing culture with a strong level of engagement with our stakeholders.

### **Principal activity and business environment**

The Company serves customers in different sectors within the ceramics industry, principally ceramic tableware. All of our revenues are generated from our UK manufacturing plant.

A significant proportion of the Company's revenue is generated from sales to customers focused on supplying ceramic tableware to the global Hospitality market. Hospitality markets are generally recognised as being long term markets linked to economic growth and increased levels of leisure spending by consumers. Hospitality markets across the world have recovered well during 2022 although there has been some effect from higher levels of inflation and higher costs of living for consumers.

Customer service remains a key part of our strategy and critical to the strong relationships with our customers. We continue to invest in our manufacturing site in order to maintain service levels, maintaining the performance of our products and extending technical capabilities. We have managed the increases in our sales pricing carefully, balancing the need to pass on increased input costs with our long term relationships with our customers.

## **Strategic report for the year ended 31 December 2022 (continued)**

### **Promoting the success of the Company**

It is the duty of the Directors under s172 of the Companies Act 2006 to promote the long term success of the Company to the benefit of members as a whole and having regard for the interests of other stakeholders in the business.

Other stakeholders include employees, customers, suppliers, our pension fund members, our local and the wider community, government and other regulatory bodies.

The Company has always taken a long term approach to business, particularly in relation to investment and in understanding the opportunities open to us and the risks to which we are exposed. To operate a successful and sustainable business model it is necessary to ensure that all the contributors to that model understand their place within it and feel that the Company operates ethically and fairly in its dealings with them.

The Board has regard to the interests of all stakeholders in its discussions and reaches balanced decisions with the sustainability of the business uppermost in its considerations. The Company maintains a financial model that is aligned with this objective such that capital allocation decisions, where possible, do not unfairly prioritise the interests of one group of stakeholders over others. The Board is aware of the need to support regular revenue and capital investment in the development of our business and we orientate our operations accordingly.

We aim to deliver products and outstanding service at appropriate price levels to our customers. At the same time we acknowledge that to meet these levels of customer service we are reliant upon good relationships with a well motivated workforce and fair and balanced relationships with a range of suppliers.

The business operates several initiatives aimed at minimising our waste products and recycling waste where possible. Similarly we have made several investments and process changes to reduce our use of energy. Further information in these areas may be found in the Directors' Report.

The business has regular contact with our workforce through both formal and informal mechanisms. The scale of our business and our open culture allows the Board and management to engage with our employees on a day to day basis and employees are encouraged to raise issues. We have a recognised trade union representing the majority of our weekly paid employees and meet regularly with their representatives. However we believe that other initiatives, including briefings, communication boards and the Masterclass process provide the most important means of engaging with our workforce. We believe that our workforce is engaged and motivated and that this is reflected in our staff retention performance. Again further information in relation to this area may be found in the Directors' Report.

We meet with suppliers on a regular basis to provide information in relation to our forward plans and review performance. As in other elements of our business we enjoy long standing relationships with the majority of our suppliers.

## **Strategic report for the year ended 31 December 2022 (continued)**

### **Business model**

Our business model is designed to generate long term benefits to all stakeholders in the business through the provision of value to customers through excellence in technical knowledge, quality and service. Customer service is a key part of our strategy and the fulfilment of the high level of expectations is critical to maintaining long term sustainable relationships.

We continue to invest in our UK manufacturing site to ensure we can maintain our position as the market leading provider of materials to the tableware ceramics industry.

### **Performance**

The year has seen a continuation of the business's recovery from the impact of COVID-19. Following a restrained first quarter, reflecting continued market restrictions, demand has recovered quickly with the Company's ability to service customers providing a strong competitive advantage. Revenue levels have grown well.

As previously indicated the resurgence in business activity levels across the world has led to new supply side issues with restrictions on the availability of materials, energy and labour leading to some constraints on output and inflationary pressure on costs. We have however continued to deliver a market leading service to our customers.

We have controlled working capital well and have continued to invest in capital projects supporting our long term business plan. This liquidity provides reassurance in the short term and facilitates medium and long term development.

### **Principal risks and uncertainties**

The Company's operations are subject to a number of risks, which are formally reviewed by the Board in a regular and systematic manner. The risks are identified and assessed on the basis of the likelihood of occurrence and the severity of the impact on the Company's business model and strategy. The Company then implement processes and controls to appropriately manage and mitigate these risks. The principal business risks currently affecting the Company are Market and Business Environment Change, Currency Exposure, Manufacturing and Supply Chain, People, Cyber Security and Regulation, Compliance and Taxation, Russia – Ukraine War - a more detailed review of these risks can be found in the Strategic Report of Churchill China Plc Annual Report.

### **Review of business and Key performance indicators**

#### **Revenue and Revenue growth**

The absolute levels of revenue and revenue growth are reviewed regularly by business and geographic destination through the year against previous year, current year targets and against strategic expectations.

Revenue	2022 £'000s	2021 £'000	Growth %
Company	13,500	8,773	54%

## Strategic report for the year ended 31 December 2022 (continued)

### Operating profit and profit before taxation

The level of operating profit and significant factors affecting its delivery are reviewed and controlled on a regular basis.

	2022 £'000s	2021 £'000s	Growth/ (Decline) %
Operating profit before exceptional items	1,321	500	164%
Operating margin	9.8%	5.7%	
Profit before exceptional items and income tax	1,316	491	168%
Exceptional items	63	-	
Profit before income tax	1,379	491	181%

Operating profit before exceptional items was 2022: £1,320,982 (2021: £499,889)

Operating profit before exceptional items rose substantially as the business continued to recover from the impact of the pandemic. Operating margins before exceptional items increased to 9.8%.

The level of operating profit before exceptional items is reviewed on a monthly basis against previous performance and target levels.

Exceptional items, where they are recognised, are reviewed as part of the regular assessment of profit performance.

### Operating cash generation

The Company believes that over an extended time period it is important to generate cash at an operating level at least equivalent to declared operating profit. This measure identifies the effectiveness of our control over working capital demands and ensures that cash is available for further investment in the business and to meet taxation payments.

### Customer service and inventory

Customer service and inventory holding levels are reviewed on a regular basis as part of the *operational management of the Company's business*. The main aim of this measure is to ensure that the Company's strong reputation for on time order fulfilment is maintained, consistent with the efficient operation of production and sourcing activities and the optimisation of working capital.

	2022 £'000s	2021 £'000s
Inventory	3,566	1,485

Inventory has further increased due to investments in strategic material purchases for the benefit of our customers.

## **Strategic report for the year ended 31 December 2022 (continued)**

### **Future outlook**

The business expects to continue to progress during 2023 and believes that its long term strategy will continue to deliver value to stakeholders. A number of challenges have followed the impact of COVID-19, with higher levels of inflation affecting both input costs and the strength of consumer demand given increased costs of living. However the fundamentals of our business will continue to allow progress against our strategic targets. The general trading and economic environment remains uncertain, but we believe that we remain well placed to deliver further progress.

We have sought to reflect the interests of customers, employees and shareholders in finding an appropriate solution to balance the effects of the changes in the business environment. We remain confident that our short term management and long term plans remain appropriate and will continue to deliver long term performance for all our stakeholders. Our product range and its development reflect long term investment in innovation. Our improved market position is supported by a clear and consistent set of objectives and initiatives.

Approved by the Board and signed on its behalf:



D M O'Connor

Director

28 September 2023



## **Directors' report for the year ended 31 December 2022**

The directors present their report and the unaudited financial statements of the Company for the year ended 31 December 2022.

A review of the operations and future prospects of the Company is given in the Strategic Report, starting on page 4.

### **International Financial Reporting Standards**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101).

### **Directors**

*The Directors of the Company who have served during the year and up to the date of signing the financial statements were as follows:*

D M O'Connor  
D J S Taylor (Resigned 12 April 2023)  
J A Roper  
S R Brown  
M T Sinclair (Appointed 24 March 2023)  
M Cunningham (Appointed 8 June 2023)

### **Taxation**

The Company's operations and the profits derived from them are subject to taxation in the United Kingdom.

### **Dividends**

No dividend was proposed or paid during the year (2021: nil)

### **Ethical standards and trading**

The Company expects high ethical standards to be met in all areas of its operations and from all its employees and recognises the role of the Board in defining and meeting these standards. We have a published ethical code and supporting policies covering bribery and corruption, modern slavery and whistle-blowing.

Furlong Mills sources materials and products from a range of national and international suppliers. Management conduct factory and site visits, to ensure that local legislation and regulations are complied with.

### **Employees**

The Company recognises that well trained, engaged and motivated employees are central to the current and future success of our business. We involve our workforce through open communication including briefings and communication boards to encourage engagement with the strategy and goals of the business. The financial performance and forward plans of the business are shared on a bi annual basis.

Our employee training and development programme is an important part of our operations and we have further invested in reviewing and identifying development needs and opportunities.

Disabled people applying for roles within the business are given full and fair consideration in relation to job vacancies. Employees who are disabled, or who become disabled during their employment enjoy the same career prospects and access to training and development programmes as other employees.

## **Directors' report for the year ended 31 December 2022 (continued)**

### **Employees (continued)**

Our Continuous Improvement programme involves employees at all levels from across our Company and has proved valuable in unlocking the potential of our workforce. Each employee has access to training to develop their technical skills and their overall capabilities. This programme also helps to communicate important business issues to our workforce and helps to align their efforts with the overall business strategy. This initiative has been developed into a 'Train the Trainer' programme where employees are taught training skills such that they can pass their expertise on to less experienced staff.

The Board has clearly considered the interests of employees in relation to key decisions during the year. Important decisions are taken within a framework giving appropriate reference to the long term sustainability of the business, the delivery of steady growth, investment and job security.

We operate a Profit Improvement scheme in which all employees with over one year's service share in a bonus scheme linked to the Group's profitability. This scheme recognises all our employees' efforts to encourage performance in line with value creation and allow them to share in the Company's success.

We remain fully committed to our equal opportunities employment policy offering equality in recruitment, training and career development irrespective of gender, ethnic origin, age, marital status, religion, sexual orientation or disability. We actively work with employees who suffer ill-health during their employment with us to rehabilitate them back into the workforce wherever possible.

### **Health and safety**

The health and safety of our employees is central to our operations and we invest significant effort and resource to target continuous improvement. Health and safety is a Board responsibility and receives constant management focus, the Board has access to appropriately trained and skilled assistance to meet its obligations. We have a published Health and Safety policy.

Our approach to health and safety is embedded in our working practices. We aim to identify and reduce health and safety risks associated with our operations to the lowest practical levels. Training programmes are regularly offered to update safety skills for all our employees. Considerable progress has been made in the engagement of our workforce in relation to health and safety matters during the year.

### **Environment, social and community**

The Company considers and manages the impact of its actions on the environment and wider social and community issues. The Group is aware that it has many stakeholders, including its customers, employees, suppliers and neighbours alongside our shareholders. We seek to operate over the long term in a sustainable manner which recognises the needs of all these groups. We assess our economic, social and environmental impact locally, nationally and internationally. The principal impacts of the Company's operations on the environment are in relation to the energy it consumes and the waste products produced as part of its operations.

## **Directors' report for the year ended 31 December 2022 (continued)**

### **Environment, social and community (continued)**

We have increased our focus on managing and minimising the production of waste products from our processes during the year and are investing to reduce our impact on the environment. We have instituted a programme of continuous improvement in relation to waste reduction and recycling of waste products

A strong support industry is important to the long term future of the company and an active role is taken in supporting the local ceramic industry.

We understand that we have an impact on our local community and consider the effect of our actions on our local area. Where possible we work to reduce any adverse effects of our operations, consistent with the needs of other stakeholders within our business. We actively engage within our community through contact with our neighbours and local schools and particularly through local charity initiatives. We encourage and support our employees to become involved in community and charitable work. We run a number of events each year in support of charitable causes.

### **Research and development**

The introduction of new and innovative materials remains a cornerstone of our future strategy. We have increased our investment in the development of new products and processes across the year to take advantage within existing and new market opportunities. A significant effort is made to develop our materials and process technologies to allow the introduction of more complex products and materials. New product development is controlled through regular meetings and the success of new launches is reviewed in the short term against individual targets and over the longer term as a function of our strategy.

### **Directors' indemnities**

The Company maintains liability insurance for the Directors in respect of their duties as Directors.

### **Financing**

The Company currently utilises equity and retained earnings to finance its operations in relation to short, medium and long term requirements. The Company has historically enjoyed a good record of operating cash generation and forward investment and other cash requirements have been financed from this source.

If additional financing is needed in the short term, the Company has access to short term variable rate financing arrangements on an unsecured basis to provide finance for working capital requirements should they be required, in addition to the support of the Group. The Company and Group currently have no net debt.

### **Financial instruments**

The Company uses its own cash resources, forward exchange contracts and foreign currency bank accounts to manage its exposure to exchange rate risk caused by trading activities in currencies other than sterling.

The risk management policy adopted is to regularly review forward foreign currency cash flows, identifying the currency effect of purchase transactions, transactions which have been contracted for but not completed and an assessment of expected likely forward cash flows. The resulting foreign currency needs are met by the Group's foreign exchange management. The Company does not trade in financial instruments.

The Company has no material interest rate risk; the only interest rate exposure is in relation to returns on short term cash deposits and borrowings. For a detailed review of Financial Risk, see Note 1 of the Churchill China Plc Annual Report.

## **Directors' report for the year ended 31 December 2022(continued)**

### **Political and charitable contributions**

Contributions made by the Company during the year for charitable purposes were £250 (2021: £100). The Company's policy in respect of charitable donations is to support local charities and institutions.

### **Suppliers**

The Company agrees terms and conditions covering its business with its suppliers at the time of each transaction or in advance. In normal circumstances payment is generally made in accordance with these terms, subject to suppliers meeting the agreed terms and conditions. Engagement with stakeholders is included within the Strategic Report.

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

## **Directors' report for the year ended 31 December 2022 (continued)**

### **Going concern**

The Board confirms that, having made enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in the preparation of the financial statements.

The Board has considered alternative scenarios in relation to the impact of higher levels of inflation, increasing energy costs and other potential impacts on the business environment. This review has included consideration of the impact of different levels of reduction in revenue, different periods of effect, alternative operational responses and cost reduction plans, the high level of cash and deposits held by the Company and additional available financing.

These reviews indicate that it is reasonable for the business to expect to continue in operational existence for at least the next twelve months.

By order of the Board and signed on its behalf:



D M O'Connor

Director

28 September 2023

## Income Statement for the year ended 31 December 2022

		2022	2021
	Note	£	£
Revenue	1	13,499,953	8,772,958
Operating profit before exceptional items	2	1,320,982	499,889
Exceptional items	2	63,138	-
Operating profit after exceptional items	2	1,384,120	499,889
Interest receivable	5	6,138	133
Interest payable	5	(11,302)	(8,888)
Profit before taxation		1,378,956	491,134
Income tax expense	6	(303,401)	(164,067)
Profit for the financial year		1,075,555	327,067

All of the above figures relate to continuing operations.

## Statement of comprehensive income for the year ended 31 December 2022

	2022	2021
	£	£
Profit for the financial year	1,075,555	327,067
Total comprehensive income for the year	1,075,555	327,067

**Statement of Financial Position as at 31 December 2022**

	Note	2022 £	2021 £
<b>Non current assets</b>			
Property, plant and equipment	7	2,788,821	2,002,983
		2,788,821	2,662,983
<b>Current assets</b>			
Inventories	8	3,566,480	1,484,739
Trade and other receivables: current	9	1,092,371	774,167
Cash at bank and in hand		1,956,870	1,578,085
		6,615,721	3,836,991
<b>Current liabilities</b>			
Trade and other payables	10	(3,226,629)	(1,492,386)
<b>Net current assets</b>		3,389,092	2,344,605
<b>Total assets less current liabilities</b>		6,177,913	5,007,588
Trade and other payables: non current	11	(63,468)	(47,698)
Deferred income tax liabilities	12	(311,000)	(232,000)
<b>Net assets</b>		5,803,445	4,727,890
<b>Equity attributable to owners of the Company</b>			
Called up share capital	13	5,636	5,636
Other reserves	14	4,764	4,764
Retained earnings		5,793,045	4,717,490
<b>Total equity</b>		5,803,445	4,727,890

For the year ending 31<sup>st</sup> December 2022 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain and audit of its accounts for the year in question in accordance with Section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes to the financial statements as detailed on pages 17 to 32 form part of the financial statements. The financial statements on pages 14 to 32 were approved by the Board of Directors on 28 September 2023 and were signed on its behalf by:

D M O'Connor  
Director



Company Number: 00057091

## Statement of Changes in Equity for the year ended 31 December 2022

	Retained Earnings	Called Up Share Capital	Other Reserves	Total Equity
	£	£	£	£
Balance at 1 January 2021	4,390,423	5,636	4,764	4,400,823
Comprehensive Income:				
Profit for the year	327,067	-	-	327,067
Total comprehensive income for the year	327,067	-	-	327,067
Balance at 31 December 2021	4,717,490	5,636	4,764	4,727,890
Comprehensive Income:				
Profit for the year	1,075,555	-	-	1,075,555
Total comprehensive income for the year	1,075,555	-	-	1,075,555
Balance at 31 December 2022	5,793,045	5,636	4,764	5,803,445



## **Notes to the financial statements for the year ended 31 December 2022**

### **1. Principal accounting policies**

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.

#### **Going concern**

The Board confirms that, having made enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in the preparation of the financial statements.

The Board has considered alternative scenarios in relation to the impact of higher levels of inflation, increasing energy costs and other potential impacts on the business environment. This review has included consideration of the impact of different levels of reduction in revenue, different periods of effect, alternative operational responses and cost reduction plans, the high level of cash and deposits held by the Company and additional available financing.

These reviews indicate that it is reasonable for the business to expect to continue in operational existence for at least the next twelve months.

#### **Changes in accounting policy and disclosures**

##### **New standards and interpretations not yet adopted**

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

#### **Basis of accounting**

The financial statements of the Company for the year ending 31 December have been prepared to the balance sheet date under Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101).

The financial statements have been prepared under the historical cost convention and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 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 on page 21.

In preparation of the financial statements, the Company has taken advantage of the exemptions as allowed under FRS 101 as follows:

a) The requirements of IFRS 7 'Financial Instruments: Disclosures'

b) The following requirements of IAS 1:

- Paragraphs 10(d) and 111, exempting the Company from providing a cash flow statement and information;
- Paragraph 16, exempting the Company from providing a statement of compliance with all IFRSs;
- Paragraph 38A, exempting the Company from the requirement for a minimum of two of each primary statement and the related notes;

## **Notes to the financial statements for the year ended 31 December 2022 (continued)**

### **1. Principal accounting policies (continued)**

#### **Basis of accounting (continued)**

- Paragraph 38B to D, exempting the Company from the requirement to present additional comparative information; and
- Paragraphs 134 to 136, exempting the Company from presenting Capital Management disclosures.
- c) The requirements of IAS 7 'Statement of Cash Flows', exempting the Company from preparing a cash flow statement
- d) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures', exempting the Company from disclosing details of all key management compensation.
- e) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions with wholly-owned members of the Group.
- f) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' exempting the company from disclosing the impact of new accounting standards that have been issued but are not yet effective.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, rebates and sales related taxes. Sales of goods are recognised when goods have been delivered and control in those goods has passed. Discounts and rebates are recognised at their anticipated level as soon as any liability is expected to arise and are deducted from gross revenue.

All revenue is generated by the UK manufacturing operations and is sold within the UK. The Chief Operating Decision maker does not review the operation by segments.

Interest income is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

#### **Leases**

New leases are reviewed and classified in accordance with IFRS 16 based on their length and value. Right of use assets are recognised within Property, plant and equipment, with corresponding liabilities recognised in Other payables.

#### **Operating profit and exceptional items**

Operating profit is stated both before and after the effect of exceptional items but before finance income, finance costs and taxation.

The Company has adopted an income statement format which seeks to highlight significant items within the Company results for the period. Such items are considered by the Directors to be exceptional in size or nature rather than being representative of the underlying trading of the Company, and may include such items as restructuring costs, material impairments of non-current assets, material profits and losses on the disposal of property, plant and equipment, material increases or reductions in pension scheme charges and material increases or decreases in taxation costs as a result of changes in legislation. The Directors apply judgement in assessing the particular items, which by virtue of their size and nature are separately disclosed in the income statement and notes to the financial statements as "Exceptional items". The Directors believe that the separate disclosure of these items is relevant in understanding the Company's financial performance.

#### **Retirement benefit costs**

The company does not operate a defined benefit pension scheme. The Company contributes to two defined contribution pension schemes. Costs associated with defined contribution schemes represent contributions payable by the Company during the year and are charged to the income statement as they fall due.

## **Notes to the financial statements for the year ended 31 December 2022 (continued)**

### **1. Principal accounting policies (continued)**

#### **Foreign currencies**

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company manages its exposure to certain foreign exchange risks with the Group treasury function.

#### **Taxation**

Income tax expense represents the sum of the current tax and deferred tax.

Current tax is based on the taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for, if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction there is no effect on either accounting or taxable profit or loss. The Company's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date or are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities may be set off against each other provided there is a legal right to do so and it is management's intention to do so.

#### **Property, plant and equipment**

Property, plant and equipment is shown at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost, less any provision for impairment, of property, plant and equipment, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2 on straight-line basis
Plant and machinery	15 on straight-line basis
Motor vehicles	25 on reducing net book value
Fixtures and fittings	33 on straight-line basis

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

Right of use assets are depreciated in accordance with the remaining life of the lease in accordance with IFRS 16.

All assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

## **Notes to the financial statements for the year ended 31 December 2022 (continued)**

### **1. Principal accounting policies (continued)**

#### **Impairment of non-financial assets**

At each reporting date the Directors assess whether there is any indication that an asset may be impaired. If any such indicator exists, the Company tests for impairment by estimating the recoverable amount of the asset. If the recoverable amount is less than the carrying value of an asset, an impairment loss is required. In addition to this, assets with indefinite lives are tested for impairment at least annually. The recoverable amount is measured as the higher of net realisable value or value in use. Non financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes where appropriate, direct materials, direct labour, overheads incurred in bringing inventories to their present location and condition and transport and handling costs. Net realisable value is the estimated selling cost less all further costs to sale. Provision is made where necessary for obsolete slow moving and defective inventories.

#### **Available for sale financial assets**

Available for sale financial assets are non derivatives that are either designated in this category or not classified to any of the other financial asset categories. They are included in non-current assets unless the Directors intend to dispose of the investment within twelve months of the balance sheet date.

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. The Company applies the IFRS 9 expected credit loss model when reviewing the provision against Trade Receivables. Industry and sector information is reviewed to ensure any factors that would affect the future ability of these receivables to be collected is recognised.

#### **Other financial assets**

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash and cash equivalents are as defined under IAS 7.

#### **Non current assets held for sale**

Non current assets are classified as being held for sale when their value is expected to be recovered through disposal rather than continuing usage within the business and when the future sale is considered to be highly probable. Management must be committed to sale which should be expected to be completed to qualify for recognition as a completed sale within one year from the date of classification. Non current assets are measured at the lower of carrying value and fair value less disposal costs, and are no longer depreciated.

## **Notes to the financial statements for the year ended 31 December 2022 (continued)**

### **1. Principal accounting policies (continued)**

#### **Provisions**

Provisions are recognised when (i) the company has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount has been reliably estimated. The Directors estimate the amount of provisions required to settle any obligation at the balance sheet date. Provisions are discounted to their present value where the effect would be material.

#### **Cash flow**

The Company is a wholly owned subsidiary of Churchill China plc and the cash flows of the Company are included in the consolidated Company cash flow statement of Churchill China plc. Consequently, the Company has taken the exemption conferred under the terms of FRS 101 from publishing a cash flow statement.

#### **Related party transactions**

The Company is a wholly owned subsidiary of Churchill China plc. The Company has therefore taken the exemption from disclosing transactions with fellow wholly owned subsidiaries and investors of the Company under the terms of IAS 24 'Related party disclosures'.

#### **Critical accounting estimates and judgments**

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.

The Company 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 a material adjustment to the carrying amount of assets and liabilities are discussed below.

#### **Critical Accounting Estimates**

The company 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### **(a) Net realisable value of excess inventories:**

The Company regularly reviews inventory where it is believed that the quantity held is in excess of that which may be realised at normal price levels. The realisable value of this inventory is assessed taking into account the estimated sales price less further costs of sale. There is no provision against inventories of saleable goods.

## **Notes to the financial statements for the year ended 31 December 2022 (continued)**

### **1. Principal accounting policies (continued)**

#### **Critical judgements**

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

##### **(a) Going Concern**

The Company has considered alternative scenarios in relation to the impact of higher levels of inflation, increasing energy costs and other potential impacts on the business environment. This review has included consideration of the impact of different levels of reduction in revenue, different periods of effect, alternative operational responses and cost reduction plans, the high level of cash and deposits held by the Company and additional available financing. These reviews indicate that it is reasonable for the business to expect to continue in operational existence for at least the next twelve months.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2. Operating profit

	2022	2021
	£	£
<b>Operating profit is stated after charging:</b>		
<i>Changes in inventories</i>	2,081,741	621,805
Raw materials	(7,615,191)	(4,821,603)
Staff costs (note 4)	(1,919,336)	(1,343,007)
Other external charges	(4,161,186)	(2,199,657)
Depreciation and amortisation charges	(530,181)	(500,795)
Profit on disposal of property, plant and equipment	182	188
Auditors' remuneration for audit	(35,000)	(30,000)
Other external income – exceptional	96,849	-
Employee cost of living support – exceptional (note 4)	(33,711)	-
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>(12,115,833)</b>	<b>(8,273,069)</b>

No exceptional costs were incurred in the year ended 31 December 2021. In the year ending 31 December 2022, exceptional income of £96,849 relates to Covid Rate Relief credits received from Stoke on Trent council for the reduced activity during 2020 due to the impact of COVID in the companies core market. Related to this receipt, the company has recognised exceptional costs totaling £33,711 to support all of our employees with the increased cost of living. The first of these payments was made in December 2022 and the final payments amounting to £100 each per employee will be paid in March 2023. This leaves a net income of £63,138.

### 3. Directors' emoluments

	2022	2021
	£	£
Aggregate emoluments	-	86,668
Company contributions to defined contribution pension scheme	-	13,854
	-	100,522

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3. Directors' emoluments (continued)

Fees and other emoluments paid to the highest paid director were:

	2022	2021
	£	£
Aggregate emoluments excluding defined contribution pension contributions	-	86,668
Defined contribution pension contributions	-	13,854
	-	100,522

### 4. Employee information

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

	2022	2021
	Number	Number
By activity		
Production and warehousing	54	35
Sales and administration	4	4
	58	39



## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 4. Employee information (continued)

	2022	2021
	£	£
Staff costs (including the executive directors)		
Wages and salaries	1,734,372	1,222,362
Social security costs	148,402	88,463
Other pension costs	36,562	32,182
	1,919,336	1,343,007
Exceptional – employee cost of living support	33,711	-
Total employment costs	1,953,047	1,343,007

Pension costs relate to the cost of employer contributions to defined contribution pension schemes.

### 5. Net interest receivable

	2022	2021
	£	£
Interest receivable on cash balances	6,138	133
Interest payable	(11,302)	(8,888)
Net finance cost	(5,164)	(8,755)

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 6. Income tax expense

	2022	2021
	£	£
Current tax:		
United Kingdom corporation tax charge on profits of the year	181,611	104,843
United Kingdom corporation tax effect of exceptional items	11,996	-
Adjustments in respect of prior years	30,794	10,224
Total current tax	224,401	115,067
Deferred tax		
Origination and reversal of timing differences	79,000	(6,000)
Effect of tax rate change of opening balance	-	55,000
Total deferred tax	79,000	49,000
Tax on profit on ordinary activities	303,401	164,067

The weighted average applicable tax rate was 19% (2021: 19%).

The tax assessed for the year is higher than the standard rate of corporation tax (2021: higher than the standard rate of corporation tax) in the UK 22.0% (2021: 33.4%). The differences are explained below:

	2022	2021
	£	£
Profit before income tax	1,378,956	491,134
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	262,002	93,310
Effects of:		
Expenses not deductible for tax purposes	22,748	18,229
Impact of deferred tax rate adjustment	-	55,000
Adjustment in respect of prior years	27,099	10,224
Other	(8,448)	(12,696)
Total tax	303,401	164,067

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 7. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Total
	£	£	£
At 31 December 2021			
Cost	3,189,606	6,075,350	9,264,956
Accumulated depreciation	(2,206,669)	(4,395,304)	(6,601,973)
Net book amount	982,937	1,680,046	2,662,983
Year ended 31 December 2022			
Additions	13,081	648,774	661,855
Disposals	-	(5,836)	(5,836)
Depreciation	(40,304)	(489,877)	(530,181)
Closing net book amount	955,714	1,833,107	2,788,821
At 31 December 2022			
Cost	3,202,687	6,655,314	9,858,001
Accumulated depreciation	(2,246,973)	(4,822,207)	(7,069,180)
Net book amount	955,714	1,833,107	2,788,821

Property, plant and equipment include the impact of £79,187 (2021: £12,499) of additions, £23,660 (2021: £44,306) of disposals and £36,424 (2021: £48,004) of depreciation relating to Right of Use assets (See Note 15 Leases).

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 8. Inventories

	2022	2021
	£	£
Raw materials and consumables	3,261,784	1,275,559
Work in progress	21,523	19,336
Finished goods and goods for resale	283,173	189,844
	3,566,480	1,484,739

The Directors do not consider there is a material difference between the carrying value and replacement cost of inventories. There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

### 9. Trade and other receivables

	2022	2021
	£	£
Current:		
Trade receivables	1,037,120	753,687
Prepayments and accrued income	55,251	20,480
	1,092,371	774,167

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 10. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,088,404	675,673
Amounts owed to Group undertakings	1,042,880	255,375
Corporation tax	197,477	65,388
Other taxation and social security	506,928	262,059
Other creditors	22,798	26,297
Finance lease liabilities	54,818	40,483
Accruals and deferred income	313,324	167,111
	3,226,629	1,492,386

Amounts owed to Group undertakings relate to rebates, due for payment on standard commercial terms.

### 11. Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Lease liabilities	63,468	47,698
	63,468	47,698

Further analysis relating to the Lease Liabilities acquired is included in Note 15.

### 12. Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2022	2021
	£	£
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(216,000)	(205,000)
- Deferred tax liabilities to be recovered within 12 months	(95,000)	(27,000)
Deferred tax liability	(311,000)	(232,000)

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 12. Deferred Income Tax (continued)

The net movement on the deferred income tax account is as follows:

	2022	2021
		£
At 1 January	232,000	183,000
Income statement charge (note 6)	79,000	49,000
At 31 December	311,000	232,000

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated capital allowances	Other	Total
	£		£
Deferred tax liabilities			
At 1 January 2021	183,487	(487)	183,000
Debited to the income statement	49,000	-	49,000
At 31 December 2021	232,487	(487)	232,000
Debited to the income statement	79,000	-	79,000
At 31 December 2022	311,487	(487)	311,000

### 13. Share Capital

	2022	2021
	£	£
Allotted and fully paid		
5,636 (2021: 5,636) ordinary shares of £1 each	5,636	5,636

### 14. Other reserves

	Capital redemption reserve	Total
	£	£
At 31 December 2021 and 31 December 2022	4,764	4,764

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 15. Leases

The Company has recognised assets and financial commitments in respect of non cancellable leases for Buildings and Plant and Equipment as below:

	2022	2021
	£	£
Right of Use assets		
Buildings	18,937	37,874
Plant & Equipment	75,394	13,694
Total	94,331	51,568

The Company has recognised amounts in the Income Statement for Right of Use Assets included within Fixed Assets

	2022	2021
	£	£
Depreciation charge on Right of Use Assets		
Buildings	18,937	18,937
Plant & Equipment	17,487	37,704
Total	36,424	56,641

	2022	2021
	£	£
Lease Liabilities		
Buildings	17,893	39,873
Plant & Equipment	78,049	14,148
Total	95,942	54,021

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 15. Leases (continued)

The maturity of lease liabilities is as follows:

	2022	2021
	£	£
Within 1 year	40,773	27,642
Between 1 and 5 years	55,169	26,379
Total	95,942	54,021

### 16. Capital commitments

Capital expenditure contracted for at the balance sheet date, but not yet incurred is as follows:

	2022	2021
	£	£
Property, plant and equipment	-	188,985
	-	188,985

### 17. Ultimate parent company and controlling party

The Directors regard Churchill China plc, a Company registered in England and Wales, as the ultimate parent Company and the ultimate controlling party. Churchill China plc is also the parent undertaking of the smallest and largest Company to consolidate these financial statements. According to the register kept by the Company, Churchill China plc has a 100% interest in the ordinary share capital of Furlong Mills Ltd at 31 December 2022. Copies of the parent company's consolidated financial statements may be obtained from the Company Secretary at the registered office on page 3.