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Strategic Report, Directors' Report and

Financial Statements for the Year Ended 31 October 2019

for

James H.Heal And Company Limited

## Contents of the Financial Statements for the Year Ended 31 October 2019

Company Information
for the Year Ended 31 October 2019

| | |
|---|---|
| **DIRECTORS:** | A Hemingway<br>J Malloy<br>A L Mclaren<br>N A Pryke<br>D E Templeman |
| **SECRETARY:** | Oakwood Corporate Secretary Limited |
| **REGISTERED OFFICE:** | Richmond Works<br>Lake View<br>Halifax<br>HX3 6EP |
| **REGISTERED NUMBER:** | 00414668 (England and Wales) |
| **AUDITORS:** | Haines Watts<br>Sterling House<br>1 Sheepscar Court<br>Meanwood Road<br>Leeds<br>West Yorkshire<br>LS7 2BB |
| **BANKERS:** | HSBC<br>7 Commercial Street<br>Halifax<br>West Yorkshire<br>HX1 1HN |

Strategic Report
for the Year Ended 31 October 2019

The Company's principal activity during the year continued to be that of a manufacturer and distributor of textiles testing instruments, consumables and calibration services.

**BUSINESS REVIEW AND FUTURE OUTLOOK**
Turnover in 2019 of £13,972,599 was lower than 2018 turnover of £14,302,941. Projected growth in the year was hampered by US/China trade negotiations and uncertainty within Europe over Brexit. The Company made a profit for the financial year of £2,763,211 compared to £2,104,156 in 2018. Excluding exceptional costs in 2018,the company's profits increased on the lower turnover figure, as a result of greater control on costs. Cash in the bank increased significantly to £2,392,479 from £792,576 in 2018. Reserves are also held by the Company and were £13,347,932 at the end of 2019, having been £10,580,263 at the end of 2018.

2020 is projected to return to year on year growth as the company looks to exploit emerging markets within the textile industry and its new product ranges come on stream.

The business continues to perform at a constantly high level and in line with management's expectations.

**PRINCIPAL RISKS AND UNCERTAINTIES**
The key business risks and uncertainties affecting the Company are considered to relate to competition and the market forces within the industry. The company, with the backing of its parent company Physical Properties Testing Limited, feels confident that it will remain a market leader.

**FINANCIAL AND OTHER KEY PERFORMANCE INDICATORS**
Financial performance is measured by turnover and operating profit. Turnover was £13,972,599 in 2019 compared to £14,302,941, as set out above. Operating profit was £3,147,780 in 2019 compared to £2,647,551 in 2018, with an increase due to additional one off costs incurred in the prior year. The company monitors a number of internal and external KPI's to with a key focus on cash generation from operating activities which increased during the year.

**FUTURE DEVELOPMENTS**
The director's intentions are to continue the strong performance of the business, with a forecasted upturn in its key markets and supported by new market leading products and services.

**ON BEHALF OF THE BOARD:**

A L Mclaren - Director

4 March 2020

Directors' Report
for the Year Ended 31 October 2019

The directors present their report and the financial statements for the year ended 31 October 2019.

**DIVIDENDS**
During the year, the company paid dividends of £Nil (2018: £Nil).

**DIRECTORS**
The directors shown below have held office during the whole of the period from 1 November 2018 to the date of this report.

A Hemingway
J Malloy
A L Mclaren
N A Pryke
D E Templeman

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**
The company holds or issues financial instruments in order to achieve three main objectives, being:

(a) to finance its operations;

(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

(c) for trading purposes.

In additions, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Interest rate risk -
Fixed and variable interest rates are arranged when obtaining interest bearing loans and borrowings.

Credit risk -
The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

Currency risk -
The company has foreign currency bank accounts into which it receives monies from customers and makes payments to suppliers. The company considers that this policy meets its objectives of managing exposure to currency risk.

**RESEARCH AND DEVELOPMENT ACTIVITIES**
It is the company's policy to modify continually its product base to meet customer requirements.

**DISCLOSURE IN THE STRATEGIC REPORT**
Disclosures with regard to review of the business, principal risks and uncertainties, key performance indicators and future plans are included in the strategic report.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Directors' 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

Under section 487(2) of the Companies Act 2006, Haines Watts will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

**ON BEHALF OF THE BOARD:**

A L Mclaren - Director

4 March 2020

Report of the Independent Auditors to the Members of
James H.Heal And Company Limited

## Opinion

We have audited the financial statements of James H.Heal And Company Limited (the 'company') for the year ended 31 October 2019 which comprise the Income Statement, Statement of other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 October 2019 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 Auditors' *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 in the Strategic Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 Statement of Directors' Responsibilities set out on page four, 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 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.

**Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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

Haines Watts

James Sutton BA (Hons) FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts
Sterling House
1 Sheepscar Court
Meanwood Road
Leeds
West Yorkshire
LS7 2BB

Date: 20 March 2020

Income Statement
for the Year Ended 31 October 2019

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | Notes | £ | £ | £ | £ |
| **TURNOVER** | 5 | | 13,972,599 | | 14,302,941 |
| Cost of sales | | | 6,125,124 | | 6,291,382 |
| **GROSS PROFIT** | | | 7,847,475 | | 8,011,559 |
| Distribution costs | | 1,203,515 | | 1,265,165 | |
| Administrative expenses | | 3,496,180 | | 3,702,843 | |
| | | | 4,699,695 | | 4,968,008 |
| **OPERATING PROFIT** | 8 | | 3,147,780 | | 3,043,551 |
| Exceptional costs | 9 | | - | | 396,000 |
| | | | 3,147,780 | | 2,647,551 |
| Interest receivable and similar income | | 162 | | 84 | |
| Other finance income | 20 | - | | 1,000 | |
| | | | 162 | | 1,084 |
| **PROFIT BEFORE TAXATION** | | | 3,147,942 | | 2,648,635 |
| Tax on profit | 10 | | 384,731 | | 544,479 |
| **PROFIT FOR THE FINANCIAL YEAR** | | | 2,763,211 | | 2,104,156 |

The notes form part of these financial statements

## Statement of other Comprehensive Income for the Year Ended 31 October 2019

| | Notes | 2019 £ | 2018 £ |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | 2,763,211 | 2,104,156 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Unrealised surplus on revaluation of tangible fixed assets | | - | 77,407 |
| Actuarial (loss)/gain on defined benefit schemes | | - | (102,000) |
| Pension surplus previously not recognised | | - | 114,000 |
| Movement on deferred tax relating to revaluation | | (7,492) | (33,519) |
| Income tax relating to components of other comprehensive income | | - | - |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX** | | (7,492) | 55,888 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 2,755,719 | 2,160,044 |

The notes form part of these financial statements

Balance Sheet
31 October 2019

| | Notes | 2019 £ | 2019 £ | 2018 £ | 2018 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 11 | | - | | - |
| Tangible assets | 12 | | 1,354,129 | | 1,458,249 |
| | | | 1,354,129 | | 1,458,249 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 13 | 2,737,141 | | 2,453,829 | |
| Debtors | 14 | 9,274,603 | | 8,893,644 | |
| Cash at bank and in hand | | 2,392,479 | | 792,576 | |
| | | 14,404,223 | | 12,140,049 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 15 | 1,581,479 | | 2,173,155 | |
| **NET CURRENT ASSETS** | | | 12,822,744 | | 9,966,894 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 14,176,873 | | 11,425,143 |
| **PROVISIONS FOR LIABILITIES** | 17 | | 192,309 | | 196,298 |
| **NET ASSETS** | | | 13,984,564 | | 11,228,845 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 18 | | 16,183 | | 16,183 |
| Share premium | 19 | | 37,961 | | 37,961 |
| Revaluation reserve | 19 | | 576,023 | | 587,973 |
| Capital redemption reserve | 19 | | 6,465 | | 6,465 |
| Retained earnings | 19 | | 13,347,932 | | 10,580,263 |
| **SHAREHOLDERS' FUNDS** | | | 13,984,564 | | 11,228,845 |

The financial statements were approved by the Board of Directors on 4 March 2020 and were signed on its behalf by:

A L Mclaren - Director

The notes form part of these financial statements

James H.Heal And Company Limited

Statement of Changes in Equity
for the Year Ended 31 October 2019

| | Called up share capital £ | Retained earnings £ | Share premium £ |
|---|---|---|---|
| **Balance at 1 November 2017** | 16,183 | 8,464,107 | 37,961 |
| **Changes in equity** | | | |
| Profit for the year | - | 2,104,156 | - |
| Other comprehensive income | - | 12,000 | - |
| Total comprehensive income | - | 2,116,156 | - |
| **Balance at 31 October 2018** | 16,183 | 10,580,263 | 37,961 |
| **Changes in equity** | | | |
| Profit for the year | - | 2,763,211 | - |
| Other comprehensive income | - | 4,458 | - |
| Total comprehensive income | - | 2,767,669 | - |
| **Balance at 31 October 2019** | 16,183 | 13,347,932 | 37,961 |

| | Revaluation reserve £ | Capital redemption reserve £ | Total equity £ |
|---|---|---|---|
| **Balance at 1 November 2017** | 544,085 | 6,465 | 9,068,801 |
| **Changes in equity** | | | |
| Profit for the year | - | - | 2,104,156 |
| Other comprehensive income | 43,888 | - | 55,888 |
| Total comprehensive income | 43,888 | - | 2,160,044 |
| **Balance at 31 October 2018** | 587,973 | 6,465 | 11,228,845 |
| **Changes in equity** | | | |
| Profit for the year | - | - | 2,763,211 |
| Other comprehensive income | (11,950) | - | (7,492) |
| Total comprehensive income | (11,950) | - | 2,755,719 |
| **Balance at 31 October 2019** | 576,023 | 6,465 | 13,984,564 |

The notes form part of these financial statements

## 1. STATUTORY INFORMATION

James H.Heal And Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

## 2. STATEMENT OF COMPLIANCE

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

## 3. ACCOUNTING POLICIES

**Basis of preparing the financial statements**
The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

**Financial Reporting Standard 102 - reduced disclosure exemptions**
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c).

**Turnover**
Turnover is recognised to the extent that it is probably that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received and receivable, excluding discounts, rebates, value added tax and other sales taxes.

**Goodwill**
Goodwill represents the difference between amounts paid on the cost of a buisiness combination and the acquirers interest in the fair value of its identifiable assets and liabilities of the acquire at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life of 5 years.

3. **ACCOUNTING POLICIES - continued**

**Tangible fixed assets**
Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Freehold property - 2.5% per annum straight line
Plant and machinery - 25% straight line/15% reducing balance
Motor vehicles - 33% straight line
Fixtures and fittings - 15% reducing balance
Heating plant - 25% straight line/15% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

**Stocks**
Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

**Financial instruments**
The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable and receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**Taxation**
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. **ACCOUNTING POLICIES - continued**

**Deferred tax**
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Foreign currencies**
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pensions**
Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Interest income**
Interest income is recognised in the profit and loss account in the period in which it is receivable.

**Revaluation of tangible fixed assets**
Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Revaluation gains and losses are recognised in the profit and loss account unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

An amount equal to the ecess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

3. **ACCOUNTING POLICIES - continued**

**Debtors**
Short term debtors are measured at transaction price, less any impairment.

**Cash and cash equivalents**
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Creditors**
Short term creditors are measured at the transaction price.

**Research and development**
Research and development expenditure less grants receivable is written off in the year in which it is incurred.

**Impairment of fixed assets**
Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset has may be impaired, the carrying value of the asset (or cash generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

**Provision for liabilities**
Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**Employee benefits**
Short term employee benefits, including holiday pay and other similar non monetary benefits, are recognised as an expense in the period in which they are incurred.

**Exceptional items**
Exceptional items are transactions that fall within the ordinary activities of the Company but are presented seperately due to their size or incidence.

4. **JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND OF ESTIMATION UNCERTAINTY**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these key judgements and estimates have been made include the depreciation of fixed assets, stock valuation, stock provision and the provisions for costs included within accruals and deferred income.

5. **TURNOVER**

The directors are of the opinion that it would be seriously prejudicial to the interests of the company to analyse the turnover between the company's markets and accordingly the information is not disclosed.

## 6. EMPLOYEES AND DIRECTORS

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 3,666,406 | 3,841,829 |
| Social security costs | 399,818 | 407,503 |
| Other pension costs | 163,560 | 76,083 |
| | 4,229,784 | 4,325,415 |

The average number of employees during the year was as follows:

| | 2019 | 2018 |
|---|---|---|
| Production staff | 62 | 60 |
| Distribution staff | 47 | 48 |
| Administration staff | 4 | 4 |
| | 113 | 112 |

## 7. DIRECTORS' EMOLUMENTS

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Directors' remuneration | 545,706 | 625,182 |
| Directors' pension contributions to money purchase schemes | 60,493 | 56,640 |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|---|---|---|
| Money purchase schemes | 4 | 4 |

Information regarding the highest paid director is as follows:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Accrued pension at 31 October 2019 | 723 | 709 |

The highest paid director received remuneration of £136,685 (2018: £166,024).

The value of the company's contributions paid to a defined contribution scheme in respect of the highest paid director amount to £5,108 (2018: £7,704).

## 8. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Hire of plant and machinery | 16,036 | 14,743 |
| Depreciation - owned assets | 129,192 | 149,307 |
| Profit on disposal of fixed assets | (5,300) | (8,443) |
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 7,200 | 7,200 |
| Foreign exchange differences | 8,070 | (62,316) |

## 9. EXCEPTIONAL ITEMS

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Exceptional costs | - | (396,000) |

The exceptional item in the prior year is for the Defined benefit pension scheme loss on settlement.

## 10. TAXATION

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 425,000 | 539,000 |
| Over/under provision in prior year | (28,788) | - |
| Total current tax | 396,212 | 539,000 |
| Deferred tax | (11,481) | 5,479 |
| Tax on profit | 384,731 | 544,479 |

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Profit before tax | 3,147,942 | 2,648,635 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | 598,109 | 503,241 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,293 | 34,698 |
| Depreciation in excess of capital allowances | 2,401 | 10,253 |
| Adjustments to tax charge in respect of previous periods | (28,788) | - |
| Pension fund prepayment leading to an increase (decrease) in tax | - | 2,280 |
| Rounding on tax charge | 1,860 | 803 |
| Group relief | (190,144) | (6,796) |
| Total tax charge | 384,731 | 544,479 |

## 10. TAXATION - continued

### Tax effects relating to effects of other comprehensive income

| | 2019 Gross | 2019 Tax | 2019 Net |
|---|---|---|---|
| | £ | £ | £ |
| Unrealised surplus on revaluation of tangible fixed assets | | | |
| Actuarial (loss)/gain on defined benefit schemes | | | |
| Pension surplus previously not recognised | | | |
| Movement on deferred tax relating to revaluation | (7,492) | - | (7,492) |
| | (7,492) | - | (7,492) |

| | 2018 Gross | 2018 Tax | 2018 Net |
|---|---|---|---|
| | £ | £ | £ |
| Unrealised surplus on revaluation of tangible fixed assets | 77,407 | - | 77,407 |
| Actuarial (loss)/gain on defined benefit scheme | (102,000) | - | (102,000) |
| Pension surplus previously not recognised | 114,000 | - | 114,000 |
| Movement on deferred tax relating to revaluation | (33,519) | - | (33,519) |
| | 55,888 | - | 55,888 |

## 11. INTANGIBLE FIXED ASSETS

| | Goodwill |
|---|---|
| | £ |
| **COST** | |
| At 1 November 2018 and 31 October 2019 | 348,552 |
| **AMORTISATION** | |
| At 1 November 2018 and 31 October 2019 | 348,552 |
| **NET BOOK VALUE** | |
| At 31 October 2019 | - |
| At 31 October 2018 | - |

## 12. TANGIBLE FIXED ASSETS

| | Freehold property £ | Heating plant £ | Plant and machinery £ |
|---|---|---|---|
| **COST** | | | |
| At 1 November 2018 | 1,004,140 | 107,409 | 1,454,781 |
| Additions | - | - | 25,072 |
| At 31 October 2019 | 1,004,140 | 107,409 | 1,479,853 |
| **DEPRECIATION** | | | |
| At 1 November 2018 | 10,874 | 96,089 | 1,133,197 |
| Charge for year | 13,537 | 4,477 | 54,881 |
| Eliminated on disposal | - | - | - |
| At 31 October 2019 | 24,411 | 100,566 | 1,188,078 |
| **NET BOOK VALUE** | | | |
| At 31 October 2019 | 979,729 | 6,843 | 291,775 |
| At 31 October 2018 | 993,266 | 11,320 | 321,584 |

| | Fixtures and fittings £ | Motor vehicles £ | Totals £ |
|---|---|---|---|
| **COST** | | | |
| At 1 November 2018 | 880,853 | 61,242 | 3,508,425 |
| Additions | - | - | 25,072 |
| Disposals | - | (21,278) | (21,278) |
| At 31 October 2019 | 880,853 | 39,964 | 3,512,219 |
| **DEPRECIATION** | | | |
| At 1 November 2018 | 748,774 | 61,242 | 2,050,176 |
| Charge for year | 56,297 | - | 129,192 |
| Eliminated on disposal | - | (21,278) | (21,278) |
| At 31 October 2019 | 805,071 | 39,964 | 2,158,090 |
| **NET BOOK VALUE** | | | |
| At 31 October 2019 | 75,782 | - | 1,354,129 |
| At 31 October 2018 | 132,079 | - | 1,458,249 |

Within freehold property, Richmond Works was professionally valued by Walker Singleton Property Consultants on 19 December 2017 on an open market basis of £900,000. The surplus over the written down value was transferred to the revaluation reserve.

Other tangible fixed assets, including subsequent additions to land and buildings, are included at cost.

If land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

Cost £363,140 (2018: £363,140) and Accumulated Depreciation £180,033 (2018: £170,954) giving a Net book value of £183,107 (2018: £192,186).

## 13. STOCKS

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Raw materials | 1,323,407 | 1,325,007 |
| Work-in-progress | 297,845 | 214,446 |
| Finished goods | 1,115,889 | 914,376 |
| | 2,737,141 | 2,453,829 |

Stock recognised in cost of sales during the year as an expense was £3,558,481 (2018 - £3,769,206).

## 14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Trade debtors | 1,561,093 | 2,035,822 |
| Amounts owed by group undertakings | 7,413,995 | 6,625,605 |
| Other debtors | 12,667 | 10,988 |
| VAT | 75,719 | 100,961 |
| Prepayments and accrued income | 211,129 | 120,268 |
| | 9,274,603 | 8,893,644 |

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Trade creditors | 1,214,550 | 1,356,193 |
| Amounts owed to group undertakings | 13,388 | 13,388 |
| Tax | 53,873 | 210,879 |
| Social security and other taxes | 93,734 | 93,910 |
| Other creditors | 58,064 | 137,509 |
| Accruals and deferred income | 147,870 | 361,276 |
| | 1,581,479 | 2,173,155 |

## 16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Within one year | 51,732 | 26,312 |
| Between one and five years | 86,806 | 24,407 |
| | 138,538 | 50,719 |

## 17. PROVISIONS FOR LIABILITIES

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Deferred tax | | |
| Deferred tax | 196,298 | 157,300 |
| Charged to profit or loss | (11,481) | 5,479 |
| Charged to other comprehensive income | 7,492 | 33,519 |
| | 192,309 | 196,298 |

17. **PROVISIONS FOR LIABILITIES - continued**

| | Deferred tax £ |
|---|---|
| Balance at 1 November 2018 | 196,298 |
| Provided during year | (3,989) |
| Balance at 31 October 2019 | 192,309 |

The provision for deferred taxation is made up as follows;

Accelerated capital allowances £52,663 (2018: £63,927)
Deferred tax on pension -£5,766 (2018: -£5,549)
Deferred tax on revaluation surplus £145,412 (2018: £137,920)

18. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2019 £ | 2018 £ |
|---|---|---|---|---|
| 16,183 | Ordinary share capital | £1 | 16,183 | 16,183 |

19. **RESERVES**

| | Retained earnings £ | Share premium £ | Revaluation reserve £ | Capital redemption reserve £ | Totals £ |
|---|---|---|---|---|---|
| At 1 November 2018 | 10,580,263 | 37,961 | 587,973 | 6,465 | 11,212,662 |
| Profit for the year | 2,763,211 | | | | 2,763,211 |
| No description | 4,458 | - | (4,458) | - | - |
| No description | - | - | (7,492) | - | (7,492) |
| At 31 October 2019 | 13,347,932 | 37,961 | 576,023 | 6,465 | 13,968,381 |

20. **EMPLOYEE BENEFIT OBLIGATIONS**

The company operates a defined contribution and operated a defined benefit pension scheme until it was closed in the prior year. The assets of both these schemes are held seperately from those of the company in an independently held fund.

Pension contributions totalling £30,345 (2018: £29,205) were owed to the company at the year end.

The defined benefit pension scheme provided benefits based on final pensionable pay. The pension scheme contributions were determined by a qualified actuary on the basis of annual valuations using the projected unit method. A FRS 102 valuation was carried out at the cessation of the scheme.

## 20. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

| | Defined benefit pension plans | |
|---|---|---|
| | 2019 | 2018 |
| | £ | £ |
| Current service cost | - | - |
| Net interest from net defined benefit asset/liability | - | 6,000 |
| Past service cost | - | - |
| Interest (Cost)/Income | - | 1,000 |
| Pension settlement | - | 396,000 |
| | - | 403,000 |
| Actual return on plan assets | - | (47,000) |

Changes in the present value of the defined benefit obligation are as follows:

| | Defined benefit pension plans | |
|---|---|---|
| | 2019 | 2018 |
| | £ | £ |
| Opening defined benefit obligation | - | 1,895,000 |
| Interest cost | - | 6,000 |
| Actuarial losses/(gains) | - | 55,000 |
| Benefits paid | - | (13,000) |
| Prior unrecognised surplus | - | (114,000) |
| Settlement on liabilities | - | (1,829,000) |
| | - | - |

Changes in the fair value of scheme assets are as follows:

| | Defined benefit pension plans | |
|---|---|---|
| | 2019 | 2018 |
| | £ | £ |
| Opening fair value of scheme assets | - | 1,895,000 |
| Interest income | - | 7,000 |
| Contributions by employer | - | 383,000 |
| Settlement on assets | - | (2,225,000) |
| Actuarial gains/(losses) | - | (47,000) |
| Benefits paid | - | (13,000) |
| | - | - |

## 20. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

| | Defined benefit pension plans | |
|---|---|---|
| | 2019 | 2018 |
| | £ | £ |
| Actuarial gains/(losses) | - | (102,000) |
| Pension surplus previously not recognised | - | 114,000 |
| | - | 12,000 |

The major categories of scheme assets as amounts of total scheme assets are as follows:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| | - | - |

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | 2019 | 2018 |
|---|---|---|
| Discount rate | - | 2.50% |
| Inflation (RPI) | - | 3.40% |
| Inflation (CPI) | - | 2.65% |

## 21. ULTIMATE PARENT COMPANY

At the year end the company's immediate parent undertaking is Physical Properties Testing Limited, a company incorporated in England and Wales. The ultimate parent company is BV Aquisitions X Parent Sarl, a company incorporated in Luxembourg. The company's ultimate controlling party at the year end is Battery Ventures, a private equity group based in the United States of America.

## 22. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned member companies within the group.

No further transactions with related parties took place as are required to be reported under FRS 102.