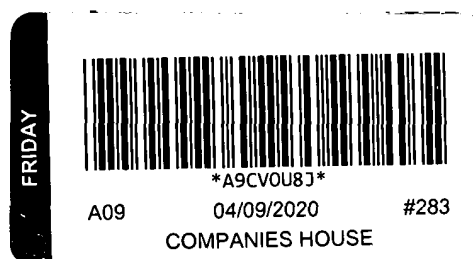


Company Registration No. 01293983 (England and Wales)

Ellis Patents Limited
Annual Report And Financial Statements
For The Year Ended 29 February 2020



ELLIS PATENTS LIMITED

COMPANY INFORMATION

Directors	Mr C J Calvert Mr D Macfarlane Mr N J Nightingale Mr R A Shaw Mr J M Weaving Mrs D Holmes Mr R M Lowish Mr S A Walton	(Appointed 18 April 2019)
Secretary	Mrs D Holmes	
Company number	01293983	
Registered office	High Street Rillington Malton YO17 8LA	
Auditor	Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ	

ELLIS PATENTS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 25

ELLIS PATENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 29 FEBRUARY 2020

The directors present the strategic report for the year ended 29 February 2020.

Fair review of the business

The principal activity of the company is the design, manufacture and marketing of cable and pipe fixings. The business has performed strongly in the year and the directors are pleased to report much stronger profits for the year, as described under 'Key Performance Indicators' below.

Principal risks and uncertainties

The company's principal financial instruments comprise cash, trade debtors and trade creditors which arise directly from its operations. The company does not enter into derivative transactions and it is the company's policy that no trading in financial instruments be undertaken. The main risks arising from the company's financial instruments are commodity risk, credit risk and foreign exchange risk.

Commodity risk

The company is exposed to escalating and fluctuating raw material prices; therefore selling prices are monitored regularly to mitigate the impact on margins. Where possible, the company obtains prices which are fixed for an extended period to assist in its management of direct costs of manufacturing.

Credit risk

The company trades with recognised creditworthy third parties. Trade debtor balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not considered to be significant. The majority of the trade debtors are insured.

Foreign exchange risk

The company is exposed to fluctuations in foreign exchange rates. The company does not hedge this exposure: instead it invoices, where possible, its customers in sterling.

Analysis based on Key Performance Indicators

The directors consider the key performance indicators to be sales, gross profit and cash.

Sales increased in the financial year by 9.5% following a decrease of 21% in the prior year. Gross profit (as a percentage of sales) has risen this year mainly due to sales mix. Cash levels have remained broadly static although with a dip at the year end, but still being very healthy and the directors are confident about the future prospects of the company.

Given the relatively straightforward nature of the company's operations, the directors do not believe there to be value in a more in-depth review of its KPI's.

The company's balance sheet as detailed on page 7 shows a satisfactory position with shareholders' funds amounting to £4,094,214 (2019 - £4,308,866).

ELLIS PATENTS LIMITED


STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

COVID-19 and Future Developments

The Board cannot predict the extent and duration of the COVID-19 pandemic nor its consequences for the global economy. However, the Company has prepared a number of financial forecasts based on a range of degrees of impact, with appropriate contingency measures in each case. Further details are given in note 1.2.

The Group's factory extension was completed in June 2020 and brought into use immediately, which has increased production capacity and storage space. The directors are confident that this investment will help the business to grow in the future.

By order of the board


Mrs D Holmes
Secretary
25/06/2020

ELLIS PATENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 29 FEBRUARY 2020

The directors present their annual report and financial statements for the year ended 29 February 2020.

Directors

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

Mr C J Calvert	
Mr A T Conroy	(Resigned 31 October 2019)
Mr D Macfarlane	
Mr N J Nightingale	
Mr R A Shaw	
Mr J M Weaving	
Mrs D Holmes	
Mr R B Chambers	(Resigned 23 March 2019)
Mr R M Lowish	
Mr S A Walton	(Appointed 18 April 2019)

Results and dividends

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

The profit for the year, after taxation, amounted to £531,089 (2019 - £139,349). Particulars of dividends paid are detailed in note 9 to the financial statements. The directors do not recommend payment of a final dividend.

Research and development

The group undertakes research and development activities to maintain competitive edge. The group continues to update and improve its existing products as well as developing new products and services that can be taken to market.

Auditor

The auditor, Garbutt & Elliott Audit Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

By order of the board

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Mrs D Holmes
Secretary

Date: 25/06/2020

ELLIS PATENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020

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

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

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

ELLIS PATENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELLIS PATENTS LIMITED

Opinion

We have audited the financial statements of Ellis Patents Limited (the 'company') for the year ended 29 February 2020 which comprise the statement of comprehensive income, the balance sheet, the 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

ELLIS PATENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ELLIS PATENTS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Garbutt & Elliott Audit Ltd.

Alan Sidebottom (Senior Statutory Auditor)
for and on behalf of Garbutt & Elliott Audit Limited

30 June 2020

Chartered Accountants
Statutory Auditor

Triune Court
Monks Cross Drive
York
YO32 9GZ

ELLIS PATENTS LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	2020 £	2019 £
Turnover	3	6,654,951	6,075,065
Cost of sales		(3,705,983)	(3,619,215)
Gross profit		2,948,968	2,455,850
Distribution costs		(144,390)	(138,398)
Administrative expenses		(2,267,112)	(2,218,271)
Other operating income		15,025	14,750
Operating profit	4	552,491	113,931
Interest receivable and similar income	6	2,068	427
Fair value adjustments to investment properties	7	-	35,000
Profit before taxation		554,559	149,358
Taxation	8	(23,470)	(10,009)
Profit for the financial year	22	531,089	139,349
Total comprehensive income for the year		531,089	139,349

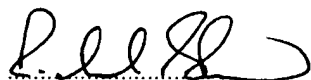
The Statement of Total Comprehensive Income has been prepared on the basis that all operations are continuing operations.

ELLIS PATENTS LIMITED

BALANCE SHEET AS AT 29 FEBRUARY 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	10		3,047		5,350
Tangible assets	11		1,671,140		1,820,740
Investment properties	12		465,000		465,000
			<u>2,139,187</u>		<u>2,291,090</u>
Current assets					
Stocks	13	1,179,463		1,294,837	
Debtors	14	1,207,270		1,103,454	
Cash at bank and in hand		485,639		681,793	
		<u>2,872,372</u>		<u>3,080,084</u>	
Creditors: amounts falling due within one year	15	<u>(562,180)</u>		<u>(693,530)</u>	
Net current assets			<u>2,310,192</u>		<u>2,386,554</u>
Total assets less current liabilities			<u>4,449,379</u>		<u>4,677,644</u>
Creditors: amounts falling due after more than one year	16		(130,721)		(167,804)
Provisions for liabilities	17		(224,444)		(200,974)
Net assets			<u><u>4,094,214</u></u>		<u><u>4,308,866</u></u>
Capital and reserves					
Called up share capital	20		40,129		40,129
Share premium account			121,865		121,865
Capital contribution reserves	21		151,626		151,626
Profit and loss reserves	22		3,780,594		3,995,246
Total equity			<u><u>4,094,214</u></u>		<u><u>4,308,866</u></u>

The financial statements were approved by the board of directors and authorised for issue on 25/06/2020 and are signed on its behalf by:



Mr R A Shaw
Director

Company Registration No. 01293983

ELLIS PATENTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 March 2018		40,129	121,865	151,626	4,155,897	4,469,517
Year ended 28 February 2019:						
Profit and total comprehensive income for the year		-	-	-	139,349	139,349
Dividends	9	-	-	-	(300,000)	(300,000)
Balance at 28 February 2019		40,129	121,865	151,626	3,995,246	4,308,866
Year ended 29 February 2020:						
Profit and total comprehensive income for the year		-	-	-	531,089	531,089
Dividends	9	-	-	-	(745,741)	(745,741)
Balance at 29 February 2020		40,129	121,865	151,626	3,780,594	4,094,214

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

Company information

Ellis Patents Limited is a company limited by shares incorporated in England and Wales, with company reference 01293983. The registered office is High Street, Rillington, Malton, YO17 8LA.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

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

The company has taken advantage of the disclosure exemptions of Section 33.1A of FRS 102 which permit it to not present details of its transactions with members of the group headed by Ellis Patents Holdings Limited where relevant group companies are all wholly owned. Ellis Patents Holdings Limited prepares group accounts as disclosed further in note 26. Details of outstanding balances as at the year end are given in notes 14 and 15.

1.2 Going concern

The directors have considered all factors, including in the wider economy, as part of their assessment of going concern. Although the current economic climate creates both cashflow and profitability risks for the company, trading has continued through the coronavirus Covid-19 pandemic. Given this and the strength of the company's balance sheet, the directors believe that on balance they have sufficient resources to enable trading to continue for a period of at least one year from the date of approval of the financial statements. Accordingly, these financial statements have been prepared on the going concern basis.

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies (Continued)

1.3 Turnover

Turnover represents amounts invoiced for goods despatched and services rendered during the year, net of VAT and trade discounts.

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

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Revenue from the sale of services linked to the supply of goods is disclosed as sale of goods in note 3.

1.4 Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Software	5 years straight line
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1.6 Tangible fixed assets

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

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

Plant and machinery	5 to 10 years straight line
Fixtures, fittings and equipment	10 years straight line
Tooling	10 years straight line

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

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

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

Stocks are costed on an activity based costing model, with absorption of directly incurred overheads.

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

1.10 Cash and cash equivalents

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

1.11 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

Other financial liabilities

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.12 Equity instruments

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

1.13 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

1.14 Employee benefits

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

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

The company operates a Senior Employee Bonus Scheme whereby a discretionary allocation of points is made each year by the shareholders, with the value of each point linked to the underlying share valuation of the Group of which this company is a subsidiary. Members of the Scheme can only recognise the value after a vesting period, but after the vesting period those Members have the right to take settlement of the value in cash as at that date. At each balance sheet date the estimated present value of the Group's obligations under the Scheme is provided for as a liability, with the movement from the prior year's present value recognised as a movement in profit or loss.

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

1.15 Retirement benefits

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

1.16 Share-based payments

In prior years the company has been party to share-based payment arrangements that have now been fully exercised through the issue of shares by its parent company, Ellis Patents Holdings Limited. The capital contribution reserve reflects the fair value attributed to this arrangement.

1.17 Leases

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

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.18 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tooling expenditure

As part of its manufacturing process, the company incurs expenditure on creating its own tooling for use in the primary trade; this expenditure is capitalised as a fixed asset and depreciated over 10 years.

The cost is determined by reference to the direct time incurred on each tool item, with the cost per hour calculated using a total cost formula, updated on an annual basis. The useful life is determined using management's expectation of the period of use of each tool using their experience of the renewal period of similar tools.

Investment properties

The company holds investment properties at their fair value, which approximates to the open market value of the property on an existing use basis. The company obtains regular professional valuations to determine this estimate, with the last professional valuation being obtained on 28 February 2019.

Senior Employee Bonus Scheme

The company operates a long term bonus scheme for a number of its primary management personnel. This is calculated by a discretionary allocation of points each year under the control of the shareholders, with these points being multiplied by an estimated market value for the group into which this company is consolidated as at the year end. The total provision is scheduled in note 16.

3 Turnover

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

	2020 £	2019 £
Turnover		
Sale of goods	6,545,335	5,974,774
Sundry and scrap sales	16,394	16,298
Carriage income	93,222	83,993
	<u>6,654,951</u>	<u>6,075,065</u>
Turnover analysed by geographical market		
	2020 £	2019 £
UK	4,197,455	3,904,555
Europe but not in the EU	226,762	328,011
EU member states	512,152	693,060
Rest of the World	1,718,582	1,149,439
	<u>6,654,951</u>	<u>6,075,065</u>

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	5,340	7,585
Research and development costs	269,835	195,622
Fees payable to the company's auditor for the audit of the company's financial statements	9,850	9,175
Depreciation of owned tangible fixed assets	376,961	366,620
Amortisation of intangible assets	2,303	2,303
Operating lease charges	143,012	163,097
	<u> </u>	<u> </u>

5 Employees

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

	2020	2019
	Number	Number
Manufacturing	42	43
Office and management	20	19
	<u> </u>	<u> </u>
Total	62	62
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	1,982,305	1,930,911
Social security costs	193,867	194,446
Pension costs	198,914	188,569
	<u> </u>	<u> </u>
	2,375,086	2,313,926
	<u> </u>	<u> </u>

6 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	2,068	427
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	2,068	427
	<u> </u>	<u> </u>

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

7 Fair value adjustments

	2020 £	2019 £
Fair value gains/(losses) on investment properties		
Change in value of financial assets held at fair value through profit or loss	-	35,000

8 Taxation

	2020 £	2019 £
Deferred tax		
Origination and reversal of timing differences	(156)	10,009
Changes in tax rates	23,626	-
Total deferred tax	23,470	10,009

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

	2020 £	2019 £
Profit before taxation	554,559	149,358
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	105,366	28,378
Effect of change in corporation tax rate	23,626	-
Group relief	8,128	46,561
Depreciation on assets not qualifying for tax allowances	438	-
Research and Development and Patent Box adjustments	(114,070)	(62,002)
Other tax adjustments	(18)	(2,928)
Taxation charge for the year	23,470	10,009

9 Dividends

	2020 £	2019 £
Interim paid	745,741	300,000

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

10 Intangible fixed assets

	Software £
Cost	
At 1 March 2019 and 29 February 2020	11,516
Amortisation and impairment	
At 1 March 2019	6,166
Amortisation charged for the year	2,303
At 29 February 2020	8,469
Carrying amount	
At 29 February 2020	3,047
At 28 February 2019	5,350

11 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings and equipment £	Tooling £	Total £
Cost				
At 1 March 2019	2,432,902	202,566	3,162,322	5,797,790
Additions	79,939	-	147,422	227,361
At 29 February 2020	2,512,841	202,566	3,309,744	6,025,151
Depreciation and impairment				
At 1 March 2019	1,724,359	138,311	2,114,380	3,977,050
Depreciation charged in the year	151,836	12,464	212,661	376,961
At 29 February 2020	1,876,195	150,775	2,327,041	4,354,011
Carrying amount				
At 29 February 2020	636,646	51,791	982,703	1,671,140
At 28 February 2019	708,543	64,255	1,047,942	1,820,740

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

12 Investment property

	2020 £
Fair value	
At 1 March 2019 and 29 February 2020	465,000

The investment property was revalued on 28 February 2019 by Lawrence Hannah Property and Construction Consultants, on the basis of its open market value for continued use, which is believed by the directors to be equivalent to its fair value. The directors do not believe there to have been a material change in the valuation since this date.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2020 £	2019 £
Cost	266,869	266,869
Accumulated depreciation	(45,573)	(40,236)
Carrying amount	221,296	226,633

The carrying value of land within investment properties is:

	2020 £	2019 £
Freehold	117,000	117,000

13 Stocks

	2020 £	2019 £
Raw materials and consumables	716,009	728,312
Work in progress	209,085	177,272
Finished goods and goods for resale	254,369	389,253
	1,179,463	1,294,837

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	981,109	991,057
Amounts owed by group undertakings	122,004	-
Other debtors	406	-
Prepayments and accrued income	103,751	112,397
	<u>1,207,270</u>	<u>1,103,454</u>

15 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	409,303	358,216
Amount due to parent undertaking	-	104,895
Other taxation and social security	60,998	137,769
Accruals and deferred income	91,879	92,650
	<u>562,180</u>	<u>693,530</u>

16 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Other creditors	<u>130,721</u>	<u>167,804</u>

The long term creditor represents a provision for amounts due under the company's Senior Employee Bonus Scheme, as detailed in note 2. Amounts accrued which fall due within one year are included within note 15 and amount to £36,412 (2019 - £50,111).

17 Provisions for liabilities

	Notes	2020	2019
		£	£
Deferred tax liabilities	18	<u>224,444</u>	<u>200,974</u>

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Capital allowances claimed in excess of depreciation charged	226,257	210,187
Senior Employee Bonus Scheme	(27,904)	(32,558)
Investment property revaluations	26,091	23,345
	<u>224,444</u>	<u>200,974</u>
Movements in the year:		2020 £
Liability at 1 March 2019		200,974
Credit to profit or loss		(156)
Effect of change in tax rate - profit or loss		23,626
		<u>224,444</u>
Liability at 29 February 2020		<u>224,444</u>

Other than £6,079 of deferred tax asset which is offset against liabilities in the above table, which are expected to unwind within less than one year, no balances are expected to substantially unwind within the next 12 months.

The deferred taxation asset has this year been offset against associated liabilities against which it is expected the timing difference will unwind.

19 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>198,914</u>	<u>188,569</u>

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

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

20 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
40,129 Ordinary shares of £1 each	40,129	40,129

Each ordinary share is entitled to one vote, and carries rights to any discretionary dividend payments but no rights to fixed income. Each share carries equal rights to any capital distributions made.

21 Capital contribution reserve

The capital contribution reserve represents the fair value of shares issued in the company's parent, Ellis Patents Holdings Limited, in respect of remuneration for employees of this company.

22 Profit and loss reserves

Profit and loss reserves include £172,040 (2019 - £174,786) of undistributable profit relating to revaluation gains made on the investment property, net of deferred tax liabilities.

23 Operating lease commitments

Lessee

The company is party to one significant operating lease, being for the factory which is used for manufacturing during the course of its primary trade. The lessor is the parent company, Ellis Patents Holdings Limited.

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

	2020 £	2019 £
Within one year	139,254	151,397
Between two and five years	430,403	445,587
In over five years	236,250	341,250
	<u>805,907</u>	<u>938,234</u>

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

24 Related party transactions

Transactions with related parties

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

	Sale of goods	
	2020	2019
	£	£
Other related parties	218,415	327,005

The following amounts were outstanding at the reporting end date:

	2020
Amounts owed by related parties	Balance
	£
Other related parties	26,489
	2019
Amounts owed in previous period	Balance
	£
Other related parties	41,826

25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020	2019
	£	£
Acquisition of tangible fixed assets	23,490	-

26 Ultimate controlling party

The ultimate parent company and controlling party is Ellis Patents Holdings Limited. Ellis Patents Holdings Limited prepares consolidated accounts that can be obtained from its registered office at Ellis Patents Limited, High Street, Rillington, Malton, YO17 8LA.

The accounts of Ellis Patents Holdings Limited are the smallest and largest group into which this company is consolidated.

27 Events after the reporting date

Subsequent to the year end the UK has suffered restrictions on its activities as a result of COVID-19. Although Ellis Patents Limited has been impacted by this event, the company's activities are primarily for key sectors and accordingly the company's financial results are not expected to be materially impacted by this event.

ELLIS PATENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 FEBRUARY 2020

28 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	757,240	651,509
Company pension contributions to defined contribution schemes	52,460	57,533
	<u>809,700</u>	<u>709,042</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2019 - 5).

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

Remuneration for qualifying services	206,169	193,150
Company pension contributions to defined contribution schemes	10,000	13,258
	<u>216,169</u>	<u>206,408</u>