

**REGISTERED NUMBER: 01726619 (England and Wales)**

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018  
FOR  
FOCAL POINT FIRES PLC**

Scodie Deyong LLP  
Chartered Accountants  
Statutory Auditors  
4 Prince Albert Road  
London  
NW1 7SN

THURSDAY



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27/06/2019  
COMPANIES HOUSE

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

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FOR THE YEAR ENDED 31 DECEMBER 2018**

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**FOCAL POINT FIRES PLC**

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

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**DIRECTORS:**

I B Mitchell  
C J Richards  
S J Hammond  
M P Wigmore  
P S Wicks

**SECRETARY:**

S J Hammond

**REGISTERED OFFICE:**

4 Prince Albert Road  
London  
NW1 7SN

**REGISTERED NUMBER:**

01726619 (England and Wales)

**AUDITORS:**

Scodie Deyong LLP  
Chartered Accountants  
Statutory Auditors  
4 Prince Albert Road  
London  
NW1 7SN

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

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

**REVIEW OF BUSINESS**

A turnover of £11.531m was achieved against a market backdrop of considerable uncertainty, due to both macro and competitive pressures. The retail environment combined with the ongoing Brexit negotiations, has continued to keep consumer spending under pressure. Despite this, our operating profit before tax only declined 5.57% to £322k and throughout the year our gross margin increased to 30.09%, up from 29.20% for the same period in 2017.

These results were achieved in challenging economic conditions when many of the economic indicators were weak for much of the year. The recent market backdrop has been more encouraging and we continue to operate in very competitive markets through a multitude of distribution channels.

As at the Balance Sheet date we have shown a significant reduction in our stock holding from £2.594m to £2.037m. We are also showing a strong asset base with a continued investment in tooling and research and development costs. The trade debtors reduced by £608k from £2.092m the previous year to £1.484m and are reflective of the trading cycle. Similarly, the trade creditors represent 50 days payments terms which have reduced from 70 days the year before.

Against this backdrop, we are set to continue with our new product development programme throughout 2019 and we remain committed and focused on the design and development of new innovative products to enhance our offering. We have continued to make significant investment and progression in order to distinguish ourselves from the competition. This has allowed us to broaden both our product range and customer base to create and explore further opportunities. Enhancing our digital capabilities coupled with significant progress in Research and Development will allow us to capitalise in the years ahead.

**RISK MANAGEMENT**

As for many businesses, the business environment in which we operate continues to present challenges and opportunities. The economic headwinds, political uncertainty and the consequential impact of Brexit still remains uncertain and this may have both a potential short and long term impact upon the business and economy as a whole. Consequently, any future interest rate rises would have an impact upon both business and consumer spending in addition to the potential increase(s) or any significant exchange rate fluctuations. This would lead further to increase costs in the purchase of raw materials and goods. Our actions to mitigate the impact of these headwinds in the short to medium term is achieved by foreign exchange contracts and we regularly review our exposure to foreign currency.

We continually assess and review our financial position in light of the economic conditions as part of our normal budgetary process and the Directors remain vigilant to the ever changing trading and economic conditions. We will continually review the Company's development, performance and milestones throughout 2019 and take any appropriate actions deemed necessary in the context of the risks and uncertainties we face, to ensure our objectives and continued success are met.

**OUTLOOK**

The next phase of our strategic development is well underway and is set for the year ahead and we approach this from a position of strength. Our significant investment in new product development throughout 2018 and carried forward into 2019 provides a solid platform for progress into the Company's future and we are well positioned to move forward into 2019 to meet the ever changing expectations of our customers and deliver aspirational products. We are set to continue to broaden both our trade customer and product base and increase our overseas turnover.

In a market place that remains extremely competitive, we believe we have the right strategy in place to drive sustainable growth, supported by a skilled and experienced leadership team and highly engaged and committed colleagues who remain focused on growing the business. This combination offers us to benefit from a structurally stronger business with the ability to adapt and grow into the future and move forwards in order that Focal Point Fires plc will continue to make further progress for the many years ahead.

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

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Finally, I would like to thank our Management team and all our employees throughout the Company for their continued hard work, contributions, productivity and commitment throughout the year and look forward to continuing working with them closely throughout the year ahead.

**ON BEHALF OF THE BOARD:**



C J Richards - Director

24 June 2019

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their report with the financial statements of the company for the year ended 31 December 2018.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the manufacture and sale of gas fires and electrical appliances.

**DIVIDENDS**

Interim dividends totalling £3.13157 per share were paid during the year. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2018 will be £15,000.

**RESEARCH AND DEVELOPMENT**

The company continues to invest in the development of new products and the enhancement of existing ones.

**DIRECTORS**

The directors set out in the table below have held office during the whole of the period from 1 January 2018 to the date of this report.

The beneficial interests of the directors holding office at 31 December 2018 in the shares of the company, according to the register of directors' interests, were as follows:

	31.12.18	1.1.18
<b>Ordinary shares of £1 each</b>		
I B Mitchell	38,000	38,000
C J Richards	2,000	2,000
S J Hammond	-	-
M P Wigmore	-	-
P S Wicks	-	-

These directors did not hold any non-beneficial interests in the shares of the company.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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.

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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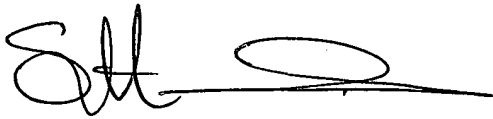
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Scodie Deyong LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to be 'S J Hammond', followed by a long horizontal line.

S J Hammond - Director

24 June 2019

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FOCAL POINT FIRES PLC**

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### **Opinion**

We have audited the financial statements of Focal Point Fires Plc (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, 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 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 Report of the Directors, 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.



## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FOCAL POINT FIRES PLC

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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.



L S Deyong FCA (Senior Statutory Auditor)  
for and on behalf of Scodie Deyong LLP  
Chartered Accountants  
Statutory Auditors  
4 Prince Albert Road  
London  
NW1 7SN

24 June 2019

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

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

	Notes	2018 £	2017 £
<b>TURNOVER</b>	3	11,531,764	12,185,001
Cost of sales		8,061,965	8,626,765
<b>GROSS PROFIT</b>		3,469,799	3,558,236
Administrative expenses		3,147,235	3,216,636
<b>OPERATING PROFIT</b>	5	322,564	341,600
Interest payable and similar expenses	6	137,882	132,876
<b>PROFIT BEFORE TAXATION</b>		184,682	208,724
Tax on profit	7	(23,025)	(782)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		207,707	209,506

The notes form part of these financial statements

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

**OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>PROFIT FOR THE YEAR</b>		207,707	209,506
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>207,707</u>	<u>209,506</u>

The notes form part of these financial statements

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2018**

		2018	2017
	Notes	£	£
<b>FIXED ASSETS</b>			
Intangible assets	9	276,013	270,188
Tangible assets	10	2,608,918	2,612,351
Investments	11	12,500	12,500
		<u>2,897,431</u>	<u>2,895,039</u>
<b>CURRENT ASSETS</b>			
Stocks	12	2,037,226	2,594,968
Debtors	13	1,925,703	2,790,627
Cash at bank and in hand		2,217	1,152
		<u>3,965,146</u>	<u>5,386,747</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	<u>4,508,047</u>	<u>5,944,302</u>
<b>NET CURRENT LIABILITIES</b>		<u>(542,901)</u>	<u>(557,555)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,354,530</u>	<u>2,337,484</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(288,021)	(440,657)
<b>PROVISIONS FOR LIABILITIES</b>	19	<u>(36,498)</u>	<u>(59,523)</u>
<b>NET ASSETS</b>		<u><u>2,030,011</u></u>	<u><u>1,837,304</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	50,000	50,000
Retained earnings	21	<u>1,980,011</u>	<u>1,787,304</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>2,030,011</u></u>	<u><u>1,837,304</u></u>

The financial statements were approved by the Board of Directors on 24 June 2019 and were signed on its behalf by:

  
C J Richards - Director

  
I B Mitchell - Director

The notes form part of these financial statements

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

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

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2017</b>	50,000	1,592,798	1,642,798
<b>Changes in equity</b>			
Dividends	-	(15,000)	(15,000)
Total comprehensive income	-	209,506	209,506
<b>Balance at 31 December 2017</b>	<u>50,000</u>	<u>1,787,304</u>	<u>1,837,304</u>
<b>Changes in equity</b>			
Dividends	-	(15,000)	(15,000)
Total comprehensive income	-	207,707	207,707
<b>Balance at 31 December 2018</b>	<u>50,000</u>	<u>1,980,011</u>	<u>2,030,011</u>

The notes form part of these financial statements

**FOCAL POINT FIRES PLC (REGISTERED NUMBER: 01726619)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,153,621	480,183
Interest paid		(137,882)	(132,826)
Interest element of hire purchase or finance lease rental payments paid		-	(50)
Tax paid		-	(34,173)
Taxation refund		691	-
<b>Net cash from operating activities</b>		<b>1,016,430</b>	<b>313,134</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(66,537)	(38,043)
Purchase of tangible fixed assets		(110,805)	(118,141)
Sale of tangible fixed assets		-	1,654
<b>Net cash from investing activities</b>		<b>(177,342)</b>	<b>(154,530)</b>
<b>Cash flows from financing activities</b>			
Additional factor advances		(397,256)	169,515
Trade loan advances		(184,763)	(41,143)
Fixed term bank loan		(32,630)	84,087
Capital repayments in year		-	(431)
Amount withdrawn by directors		(182,000)	(300,008)
Equity dividends paid		(15,000)	(15,000)
<b>Net cash from financing activities</b>		<b>(811,649)</b>	<b>(102,980)</b>
<b>Increase in cash and cash equivalents</b>		<b>27,439</b>	<b>55,624</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<b>(1,130,386)</b>	<b>(1,186,010)</b>
<b>Cash and cash equivalents at end of year</b>	2	<b>(1,102,947)</b>	<b>(1,130,386)</b>

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2018	2017
	£	£
Profit before taxation	184,682	208,724
Depreciation charges	174,948	140,947
Loss on disposal of fixed assets	-	11,065
Finance costs	137,882	132,876
	<u>497,512</u>	<u>493,612</u>
Decrease/(increase) in stocks	557,742	(444,396)
Decrease in trade and other debtors	864,233	399,419
(Decrease)/increase in trade and other creditors	(765,866)	31,548
	<u>1,153,621</u>	<u>480,183</u>
<b>Cash generated from operations</b>	<b>1,153,621</b>	<b>480,183</b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2018**

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	2,217	1,152
Bank overdrafts	(1,105,164)	(1,131,538)
	<u>(1,102,947)</u>	<u>(1,130,386)</u>

**Year ended 31 December 2017**

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	1,152	2,476
Bank overdrafts	(1,131,538)	(1,188,486)
	<u>(1,130,386)</u>	<u>(1,186,010)</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. STATUTORY INFORMATION**

Focal Point Fires Plc is a public limited company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

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. The financial statements have been prepared under the historical cost convention.

The company's balance sheet shows a deficit of net current liabilities totalling £542,901 (2017: £557,555 ). The company has renewed its financing facilities during the year. These facilities together with the projected cashflow from the trading activities should ensure the company's net current liabilities will be met in the normal course of trade. For this reason the accounts have been prepared on a going concern basis.

**Preparation of consolidated financial statements**

The financial statements present information about the company as an individual undertaking and not about its group. The subsidiary undertaking has not commenced trading and is dormant at the balance sheet date. The company has therefore taken advantage of the exemptions provided by section 405 of the Companies Act 2006 not to prepare group accounts on the basis of immateriality.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

**Goodwill**

Acquired goodwill is capitalised and retained at cost in the financial statements.

**Development expenditure**

Over the years the company have capitalised research and development expenditure on the basis of the technical, commercial and financial viability of individual projects. The company is amortising this cost over 10 years on a straight line basis in line with the expectation of the time line of a range of fires.

The directors are of the view that the existing development expenditure will generate financial benefit over a period of 10 years. This also considers the view that a range of fires have proved to exceed their time line from 4 years to 10 years.

**Patents**

Patents are initially measured at cost. The patents will be amortised once there is future economic benefit to the company.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- straight line basis on improvement to properties
Short leasehold and improvements	- evenly over the period of lease
Plant and machinery	- 25% on a reducing balance basis
Fixtures and fittings	- 25% on a reducing balance basis
Motor vehicles	- 25% on a reducing balance basis

Freehold property and improvements are included in the balance sheet at fair value in accordance with FRS102. While the improvements are depreciated in accordance with the standard, the property is not depreciated as the useful economic life is considered so long that the depreciation would be immaterial. In the opinion of the directors this is necessary for the financial statements to give a true and fair view in respect of the property value.



**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. ACCOUNTING POLICIES - continued**

**Stocks**

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

**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 statement of financial position date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position 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**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2018 £	2017 £
United Kingdom	11,147,764	11,348,438
Europe	81,000	46,363
Asia	303,000	790,200
	<u>11,531,764</u>	<u>12,185,001</u>

**4. EMPLOYEES AND DIRECTORS**

	2018 £	2017 £
Wages and salaries	1,370,245	1,338,565
Social security costs	135,511	114,325
Other pension costs	15,885	9,787
	<u>1,521,641</u>	<u>1,462,677</u>

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

	2018	2017
Production	38	41
Sales	4	4
Administration	11	11
	<u>53</u>	<u>56</u>

	2018 £	2017 £
Directors' remuneration	<u>358,352</u>	<u>265,352</u>

Information regarding the highest paid director is as follows:

	2018 £	2017 £
Emoluments etc	<u>151,500</u>	<u>127,500</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. OPERATING PROFIT**

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

	2018	2017
	£	£
Other operating leases	84,213	79,063
Depreciation - owned assets	114,238	82,185
Depreciation - assets on hire purchase contracts or finance leases	-	2,797
Loss on disposal of fixed assets	-	11,065
Development expenditure amortisation	60,712	55,962
Auditors' remuneration	34,761	33,141
Foreign exchange differences	(146,782)	6,297
	<u>          </u>	<u>          </u>

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Bank interest	52,396	51,629
Factoring interest	33,513	30,340
Other interest	51,973	50,857
Hire purchase	-	50
	<u>          </u>	<u>          </u>
	<u>137,882</u>	<u>132,876</u>

**7. TAXATION**

**Analysis of the tax credit**

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

	2018	2017
	£	£
Current tax:		
UK corporation tax	-	(691)
Deferred tax	(23,025)	(91)
	<u>          </u>	<u>          </u>
Tax on profit	<u>(23,025)</u>	<u>(782)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018

7. TAXATION - continued

**Reconciliation of total tax credit 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:

	2018 £	2017 £
Profit before tax	184,682	208,724
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	35,090	41,745
Effects of:		
Expenses not deductible for tax purposes	760	1,407
Capital allowance in excess of depreciation	(4,531)	(8,280)
Loss on disposal of assets	-	2,213
Enhanced research and development expenditure	(36,344)	(37,776)
Deferred tax	(23,025)	(91)
Trading losses carried forward	5,025	-
Total tax credit	(23,025)	(782)

8. DIVIDENDS

	2018 £	2017 £
Interim	15,000	15,000

9. INTANGIBLE FIXED ASSETS

	Goodwill £	Development expenditure £	Patents £	Totals £
<b>COST</b>				
At 1 January 2018	3,500	581,284	12,987	597,771
Additions	-	60,450	6,087	66,537
At 31 December 2018	3,500	641,734	19,074	664,308
<b>AMORTISATION</b>				
At 1 January 2018	-	327,583	-	327,583
Amortisation for year	-	60,712	-	60,712
At 31 December 2018	-	388,295	-	388,295
<b>NET BOOK VALUE</b>				
At 31 December 2018	3,500	253,439	19,074	276,013
At 31 December 2017	3,500	253,701	12,987	270,188

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018

10. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2018	2,526,245	406,199	363,032	42,985	3,338,461
Additions	-	110,805	-	-	110,805
At 31 December 2018	2,526,245	517,004	363,032	42,985	3,449,266
<b>DEPRECIATION</b>					
At 1 January 2018	140,050	241,033	313,374	31,653	726,110
Charge for year	32,305	66,685	12,415	2,833	114,238
At 31 December 2018	172,355	307,718	325,789	34,486	840,348
<b>NET BOOK VALUE</b>					
At 31 December 2018	2,353,890	209,286	37,243	8,499	2,608,918
At 31 December 2017	2,386,195	165,166	49,658	11,332	2,612,351

The freehold property was valued by Symonds and Sampsons on 30 November 2015 in accordance with RICS appraisal and valuation standards on an open market value basis. The directors' consider this to be the fair value at the balance sheet date including any improvements made to freehold properties.

11. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2018 and 31 December 2018	12,500
<b>NET BOOK VALUE</b>	
At 31 December 2018	12,500
At 31 December 2017	12,500

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**British Fires Plc**

Registered office: 4 Prince Albert Road, London, NW1 7SN

Nature of business: Dormant

	% holding	2018 £	2017 £
Class of shares:			
Ordinary	100.00	12,500	12,500
Aggregate capital and reserves			

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. STOCKS**

	2018	2017
	£	£
Finished goods	1,320,583	1,660,459
Raw materials	716,643	934,509
	<u>2,037,226</u>	<u>2,594,968</u>

**13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Trade debtors	1,484,079	2,092,626
Other debtors	63,846	-
Deposits paid to suppliers	262,683	522,691
Tax	-	691
Prepayments	115,095	174,619
	<u>1,925,703</u>	<u>2,790,627</u>

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Bank loans and overdrafts (see note 16)	3,078,865	3,687,254
Trade creditors	970,261	1,672,070
Sundry creditors	12,500	12,500
Social security and other taxes	59,376	29,529
VAT	161,494	156,073
Director's curr accs less 1yr	120,000	182,000
Accruals and deferred income	105,551	204,876
	<u>4,508,047</u>	<u>5,944,302</u>

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018	2017
	£	£
Bank loans (see note 16)	16,104	48,740
Director's loan accs more 1yr	271,917	391,917
	<u>288,021</u>	<u>440,657</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**16. LOANS**

An analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year or on demand:		
Bank overdrafts	1,105,164	1,131,538
Bank loans	35,355	35,350
Factoring account	1,210,185	1,607,441
Trade loan	728,161	912,925
	<u>3,078,865</u>	<u>3,687,254</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>16,104</u>	<u>48,740</u>

**17. LEASING AGREEMENTS**

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

	2018 £	2017 £
Within one year	92,404	123,879
Between one and five years	205,839	271,185
In more than five years	<u>32,215</u>	<u>59,828</u>
	<u>330,458</u>	<u>454,892</u>

**18. SECURED DEBTS**

	2018 £	2017 £
Hire Purchase contracts	-	-
Factoring Account	1,210,185	1,607,441
Trade Loans	728,161	912,925
Directors current account	391,917	573,917
Bank overdraft	<u>1,105,164</u>	<u>1,131,538</u>
	<u>3,435,427</u>	<u>4,225,821</u>

Bank indebtedness including the trade loan is secured by a debenture deed comprising a fixed and floating charge over the assets owned by the company. The trade loan is an additional facility made available by the company's bankers to enable earlier payments for creditors generally.

The factoring account is secured by a fixed charge over book debts owed to the company, and a debenture over the assets of the company. The hire purchase liabilities are secured by a charge over the relevant assets.

The Director's current account is secured by a second legal charge over the freehold property of the company. The loan will be repaid by 2021 by instalments. Interest is charged at 2% per annum.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**19. PROVISIONS FOR LIABILITIES**

	2018 £	2017 £
Deferred tax	<u>36,498</u>	<u>59,523</u>
		Deferred tax £
Balance at 1 January 2018		59,523
Excess of depreciation over capital allowances		<u>(23,025)</u>
Balance at 31 December 2018		<u>36,498</u>

**20. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

**21. RESERVES**

	Retained earnings £
At 1 January 2018	1,787,304
Profit for the year	207,707
Dividends	<u>(15,000)</u>
At 31 December 2018	<u>1,980,011</u>

**22. PENSION COMMITMENTS**

The company makes monthly payments to a defined contribution scheme on behalf of its employees and directors. Amounts charged to the profit and loss account were £15,885 for the year (2017: £9,787).



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**23. RELATED PARTY DISCLOSURES**

**I B Mitchell**

Director and shareholder of the company.

The Director's current account is secured by a second legal charge over the freehold property of the company. Interest is charged at 2% per annum from 1 January 2016. During the year interest of £9,295 (2017: £15,732) was paid to I B Mitchell.

**British Fires Plc**

A wholly owned subsidiary of the company.

There were no transactions between the parties during the year.