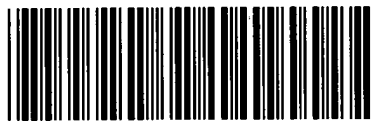


Company Registration No. 02501973 (England and Wales)

THE SURFACE PRINT COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

WEDNESDAY



A7Z7QJHV

A22

13/02/2019

#191

COMPANIES HOUSE

THE SURFACE PRINT COMPANY LTD

COMPANY INFORMATION

Directors

J W Watson
J E Watson
A Thornton
J Watson
A Watson
N C Westhead

Secretary

J E Watson

Company number

02501973

Registered office

Broadley Mill
Hill Street
Clayton Le Moors
BB5 5EA

Auditor

CLB Coopers Audit Services
5th Floor Ship Canal House
98 King Street
Manchester
M2 4WU

THE SURFACE PRINT COMPANY LTD

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Statement of income and retained earnings	7
Balance sheet	8
Statement of cash flows	9
Notes to the financial statements	10 - 25

THE SURFACE PRINT COMPANY LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present the strategic report for the year ended 30 September 2018.

Fair review of the business

The principal activity of the company throughout the year continued to be the provision of a contract printing service to wallpaper designers and distributors. The year has also seen the continued growth of Surface Print's own brand – 1838 Wallcoverings.

Turnover in the year is like for like against 2016/17. The company has seen solid growth in its own brand wallcoverings of over 50%, but this has been offset by a fall in European Sales of 17% and a small reduction in the UK contract market. The unusually hot weather over the summer months and uncertainty over the outcome of Brexit, have contributed to the reduction of the contract business, which is something reflected throughout the industry.

The year has seen the launch of 2 new 1838 Wallcovering collections, *Camelia* and *Aurora*. Both have been well received and compliment the first two collections launched last year. The directors are confident the brand will continue to grow in 2018-19, as the product offering increases and the name becomes more established in the marketplace.

Gross margin has improved in the year by 1.5% which is a result of an ongoing factory efficiency programme which has evolved over the past two years. We have seen an increase in administrative expenses which is largely due to the investment in sales and marketing infrastructure to support the brand development of 1838 Wallcoverings.

Liquidity in the year has improved by 17% and long-term borrowing has again reduced by over 30%. The company continues to operate with low gearing, comfortably managing its debt repayments.

The company has continued to improve its waste management programme and has recently committed to operate a zero-landfill waste contract. Involvement with the local Chamber of Commerce into the recently launched Low Carbon Project, fits well with the business following the installation of a water treatment plant in 2016-17. This initiative has proved very successful and demonstrated significant savings.

Principal risks and uncertainties

The company is proud of its history and strong reputation in its industry. It continues to improve and develop its product ranges to counter the risks associated with operating in a traditional, well established contract printing market.

During the year the company has invested significant time and finance in research and development to remain at the forefront of product development in the industry.

The risk of raw material and energy price increases is managed by careful negotiation with key suppliers, with alternative or dual supplies being sought where necessary.

The company continues to protect itself from the threat of competition by investing in training and development of employees, thereby maintaining a high skill base which gives our product and service a competitive edge over inferior offerings. Greater efficiencies, minimal staff turnover and a motivated workforce all contribute to a positive outlook for the future.

THE SURFACE PRINT COMPANY LTD

STRATEGIC REPORT (CONTINUED)

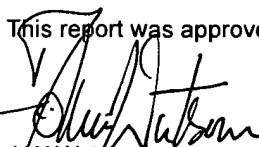
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Developments and future outlook

At this point in time Brexit is still a significant unknown factor creating uncertainty throughout the business world. Planning for the unknown is difficult but the directors are confident that whatever the outcome, the flexibility of the business will allow the company to adapt quickly to the new surroundings and thrive in a post Brexit world.

The Directors of the company are committed to the future success of this family run business and are confident the company will remain profitable for the foreseeable future.

This report was approved by the board and signed on its behalf.



J.W. Watson
Director
4 January 2019

THE SURFACE PRINT COMPANY LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their annual report and financial statements for the year ended 30 September 2018.

Principal activities

The principal activity of the company continued to be that of the provision of a contract printing service to wallpaper designers and distributors.

Directors

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

J W Watson
J E Watson
A Thornton
J Watson
A Watson
N C Westhead

Results and dividends

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

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

Financial instruments

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 addition, 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.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The company uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Foreign currency risk

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

THE SURFACE PRINT COMPANY LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Auditor

The auditor, CLB Coopers Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

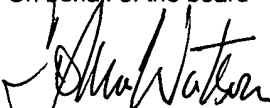
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

On behalf of the board



J W Watson

Director

4 January 2019

THE SURFACE PRINT COMPANY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SURFACE PRINT COMPANY LTD

Opinion

We have audited the financial statements of The Surface Print Company Ltd (the 'company') for the year ended 30 September 2018 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

THE SURFACE PRINT COMPANY LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE SURFACE PRINT COMPANY LTD

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

CLB Coopers Audit Services

Graham Rigby (Senior Statutory Auditor)
for and on behalf of CLB Coopers Audit Services

30 January 2019

Ship Canal House
98 King Street
Manchester
M2 4WU

THE SURFACE PRINT COMPANY LTD

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	6,858,731	6,958,280
Cost of sales		(5,218,502)	(5,398,361)
Gross profit		1,640,229	1,559,919
Distribution costs		(12,089)	(16,433)
Administrative expenses		(1,475,796)	(1,350,832)
Other operating income		6,000	6,000
Operating profit	4	158,344	198,654
Interest receivable and similar income	7	45	2,130
Interest payable and similar expenses	8	(104,549)	(111,996)
Profit before taxation		53,840	88,788
Taxation	9	11,564	(1,586)
Profit for the financial year	25	65,404	87,202
Retained earnings at 1 October 2017		2,235,202	2,148,000
Retained earnings at 30 September 2018		2,300,606	2,235,202

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


THE SURFACE PRINT COMPANY LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10	2,546,988		2,692,702	
Investments	11	765		2,385	
		<u>2,547,753</u>		<u>2,695,087</u>	
Current assets					
Stocks	13	969,777		1,023,329	
Debtors	14	1,673,850		1,681,992	
Cash at bank and in hand		72,050		70,041	
		<u>2,715,677</u>		<u>2,775,362</u>	
Creditors: amounts falling due within one year	15	<u>(2,444,804)</u>		<u>(2,544,761)</u>	
Net current assets		<u>270,873</u>		<u>230,601</u>	
Total assets less current liabilities		<u>2,818,626</u>		<u>2,925,688</u>	
Creditors: amounts falling due after more than one year	16	(213,237)		(351,347)	
Provisions for liabilities	19	(217,745)		(214,012)	
Accruals and deferred income	21	(68,054)		(106,143)	
Net assets		<u>2,319,590</u>		<u>2,254,186</u>	
Capital and reserves					
Called up share capital	23	1,377		1,377	
Capital redemption reserve	24	17,607		17,607	
Profit and loss reserves	25	2,300,606		2,235,202	
Total equity		<u>2,319,590</u>		<u>2,254,186</u>	

The financial statements were approved by the board of directors and authorised for issue on 4 January 2019 and are signed on its behalf by:


J W Watson
Director

Company Registration No. 02501973

THE SURFACE PRINT COMPANY LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	30	409,391		348,772	
Interest paid		(104,549)		(111,996)	
Income taxes refunded		18,823		134,641	
Net cash inflow from operating activities		323,665		371,417	
Investing activities					
Purchase of tangible fixed assets		(68,154)		(230,367)	
Proceeds on disposal of tangible fixed assets		-		16,488	
Interest received		45		2,130	
Net cash used in investing activities		(68,109)		(211,749)	
Financing activities					
Repayment of borrowings		(22,477)		95,780	
Repayment of bank loans		(231,070)		(200,833)	
Net cash used in financing activities		(253,547)		(105,053)	
Net increase in cash and cash equivalents		2,009		54,615	
Cash and cash equivalents at beginning of year		70,041		15,426	
Cash and cash equivalents at end of year		72,050		70,041	

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

Company information

The Surface Print Company Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Broadley Mill, Hill Street, Clayton Le Moors, BB5 5EA.

1.1 Accounting convention

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

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

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

1.2 Going concern

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost 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:

Freehold land and buildings	2% straight line
Plant and equipment	10-33% straight line

Freehold land is not depreciated.

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

1.5 Fixed asset investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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).

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.

1.7 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.

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.

1.8 Cash at bank and in hand

Cash at bank and in hand 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.

1.9 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.

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.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments 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.

Other financial liabilities

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.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.10 Equity instruments

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

1.11 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.

1.12 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.

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.

1.13 Retirement benefits

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

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

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

1.15 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the statement of income and retained earnings at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

1.16 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 are included in the profit and loss account for the period.

1.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses.

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.

No significant estimates have been made in the preparation of the financial statements.

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover		
Wallpaper printing	6,858,731	6,958,280

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2018 £	2017 £
United Kingdom	4,413,634	4,423,437
Rest of Europe	1,734,965	1,823,500
Rest of the world	710,132	711,343
	<u>6,858,731</u>	<u>6,958,280</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	6,750	35
Government grants	(6,000)	(6,000)
Fees payable to the company's auditor for the audit of the company's financial statements	9,800	9,500
Depreciation of owned tangible fixed assets	291,696	307,827
Depreciation of tangible fixed assets held under finance leases	1,167	-
Profit on disposal of tangible fixed assets	-	(3,500)
Cost of stocks recognised as an expense	2,863,466	3,093,634
Operating lease charges	<u>171,810</u>	<u>161,628</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £6,750 (2017 - £35).

5 Employees

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

	2018 Number	2017 Number
Admin/management	11	10
Production	69	66
	<u>80</u>	<u>76</u>

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

5 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,193,284	2,083,778
Social security costs	210,556	202,120
Pension costs	40,179	22,526
	<u>2,444,019</u>	<u>2,308,424</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	317,988	324,444
Company pension contributions to defined contribution schemes	15,618	10,127
	<u>333,606</u>	<u>334,571</u>

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

	2018 £	2017 £
Remuneration for qualifying services	<u>102,146</u>	<u>87,052</u>

During the year retirement benefits were accruing to 4 directors (2017: 4) in respect of defined contribution pension scheme.

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	<u>45</u>	<u>2,130</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>45</u>	<u>2,130</u>
--	-----------	--------------

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	17,883	25,163
Dividends on redeemable preference shares not classified as equity	52,500	62,500
	<u>70,383</u>	<u>87,663</u>
Other finance costs:		
Other interest	34,166	24,333
	<u>104,549</u>	<u>111,996</u>

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	(15,297)	(33,775)
Adjustments in respect of prior periods	-	(128,141)
Total current tax	<u>(15,297)</u>	<u>(161,916)</u>
Deferred tax		
Origination and reversal of timing differences	3,733	13,276
Previously unrecognised tax loss, tax credit or timing difference	-	150,226
Total deferred tax	<u>3,733</u>	<u>163,502</u>
Total tax (credit)/charge	<u>(11,564)</u>	<u>1,586</u>

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

9 Taxation

(Continued)

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

	2018 £	2017 £
Profit before taxation	53,840	88,788
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	10,230	17,314
Tax effect of expenses that are not deductible in determining taxable profit	12,880	13,782
Tax effect of income not taxable in determining taxable profit	(1,140)	(1,581)
Effect of change in corporation tax rate	(374)	(4,573)
Depreciation on assets not qualifying for tax allowances	22,057	24,793
Research and development tax credit	(55,768)	(70,234)
Under/(over) provided in prior years	551	(128,141)
Deferred tax adjustments in respect of prior years	-	150,226
Taxation (credit)/charge for the year	(11,564)	1,586

10 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Total £
Cost			
At 1 October 2017	1,649,527	3,689,648	5,339,175
Additions	1,806	145,343	147,149
At 30 September 2018	1,651,333	3,834,991	5,486,324
Depreciation and impairment			
At 1 October 2017	344,265	2,302,208	2,646,473
Depreciation charged in the year	35,548	257,315	292,863
At 30 September 2018	379,813	2,559,523	2,939,336
Carrying amount			
At 30 September 2018	1,271,520	1,275,468	2,546,988
At 30 September 2017	1,305,262	1,387,440	2,692,702

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018 £	2017 £
Plant and equipment	68,830	-
Depreciation charge for the year in respect of leased assets	1,167	-

Included in land and buildings is freehold land at cost of £150,000 (2016: £150,000), which is not depreciated.

11 Fixed asset investments

	2018 £	2017 £
Unlisted investments	765	2,385

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 October 2017 & 30 September 2018	2,385
Impairment	
At 1 October 2017	-
Valuation changes	1,620
At 30 September 2018	1,620
Carrying amount	
At 30 September 2018	765
At 30 September 2017	2,385

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

12 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,496,335	1,512,757
Instruments measured at fair value through profit or loss	765	2,385
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	2,539,088	2,784,753
	<u> </u>	<u> </u>

13 Stocks

	2018 £	2017 £
Raw materials and consumables	731,762	735,273
Work in progress	27,032	42,232
Finished goods and goods for resale	210,983	245,824
	<u> </u>	<u> </u>
	969,777	1,023,329
	<u> </u>	<u> </u>

14 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	1,470,577	1,481,881
Corporation tax recoverable	23,749	27,275
Other debtors	25,758	30,876
Prepayments and accrued income	153,766	141,960
	<u> </u>	<u> </u>
	1,673,850	1,681,992
	<u> </u>	<u> </u>

15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	141,747	234,707
Obligations under finance leases	18	78,995	-
Other borrowings	17	1,127,138	1,149,615
Trade creditors		935,914	1,012,662
Other taxation and social security		118,953	111,355
Other creditors		42,057	36,422
		<u> </u>	<u> </u>
		2,444,804	2,544,761
		<u> </u>	<u> </u>

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

16 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	200,844	338,954
Other borrowings	17	12,393	12,393
		<u>213,237</u>	<u>351,347</u>

17 Loans and overdrafts

	2018 £	2017 £
Bank loans	342,591	573,661
Preference shares	12,393	12,393
Other loans	1,127,138	1,149,615
	<u>1,482,122</u>	<u>1,735,669</u>
Payable within one year	1,268,885	1,384,322
Payable after one year	<u>213,237</u>	<u>351,347</u>

The bank loan is repayable in quarterly instalments of £21,197, including interest at 1.5% over bank base rate, until June 2021. The loan is secured by way of a legal charge over the company's freehold property dated 14 June 2006 and a fixed and floating charge over all the the undertakings and assets of the company dated 15 June 1990.

Included within the bank loans is a loan which is secured against specific plant and machinery owned by the company.

During the year the company obtained a new loan for the sum of £120,000, which is repayable in monthly instalments of £3,565, including interest at 3.5%. This is secured against other assets owned by the company.

Other loans are secured on book debts and relate to cash advances in respect of trade debts discounted on a non-recourse basis.

Disclosure of the terms and conditions attached to the preference shares is made in note 23.

18 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	<u>78,995</u>	<u>-</u>

Amounts disclosed under finance lease obligations are secured against the assets to which they relate.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

19 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	20	217,745	214,012

20 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	218,629	214,042
Short term timing differences	(884)	(30)
	<u>217,745</u>	<u>214,012</u>
Movements in the year:		2018 £
Liability at 1 October 2017		214,012
Charge to profit or loss		3,733
Liability at 30 September 2018		<u>217,745</u>

The deferred tax liability set out above is expected to reverse within 3 years and relates to accelerated capital allowances that are expected to mature within the same period.

21 Deferred income

	2018 £	2017 £
Arising from government grants	20,000	26,000

A sum of £6,000 (2017: £6,000) relates to the amount that will be released into profit and loss within one year.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

22 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	40,179	22,526

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.

23 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
13,770 Ordinary C shares of 10p each	1,377	1,377
	1,377	1,377

The Ordinary 'C' shares are classified as equity. In addition, company has 41,310 Ordinary 'A' shares of £0.10 each and 82,620 Ordinary 'B' shares of £0.10 each, which are classified as debt.

The holders of the Ordinary 'A' and 'B' shares are entitled to receive fixed cumulative preference dividends, unless they choose to waive those rights, at an annual rate of £50,000 ('A') and £50,000 ('B'). All classes of shares carry equal voting rights of one vote per share.

In the event of a sale or winding up, the holders of the Ordinary 'A' and 'B' shares are entitled to a return of capital together with the payment of a fixed sum, as defined in the articles and resolutions, ahead of the Ordinary 'C' shareholders.

24 Capital redemption reserve

The capital redemption reserve relates to the nominal value of the company's own shares repurchased.

25 Profit and loss reserves

The profit and loss account includes all current and prior period retained profits and losses and is fully distributable.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

26 Operating lease commitments

Lessee

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

	2018 £	2017 £
Within one year	16,029	89,729
Between two and five years	49,293	54,109
In over five years	8,976	15,708
	<u>74,298</u>	<u>159,546</u>

27 Related party transactions

During the year, the company purchased materials on an arms length basis from OE Innovation Limited, a company controlled by a close family member of A Watson, a director. These purchases amounted to £95,400 (2017: £89,775). At the balance sheet date, the company owed OE Innovation Limited £nil (2017: £nil).

During the year, the company made sales on an arms length basis to The Little Greene Paint Company Limited, a company controlled by a close family member of J Watson, a director. These sales amounted to £270,563. At the balance sheet date, the company was owed £85,110 by The Little Greene Paint Company Limited.

28 Directors' transactions

Dividends totalling £50,000 (2017: £62,500) were paid in the year in respect of shares classified as debt held by J W Watson.

During the year £3,306 (2017: £20,000) was advanced to director J Watson and £23,306 (2017: £20,000) was outstanding at the balance sheet date. This is included in other debtors due within one year, is interest free and repayable on demand.

29 Controlling party

At the current and preceding year ends the company was under the control of J W Watson by virtue of his control of the majority of voting rights across all classes of shares.

THE SURFACE PRINT COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

30 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	65,404	87,202
Adjustments for:		
Taxation (credited)/charged	(11,564)	1,586
Finance costs	104,549	111,996
Investment income	(45)	(2,130)
Gain on disposal of tangible fixed assets	-	(3,500)
Fair value gains and losses on fixed asset investments	1,620	(2,079)
Depreciation and impairment of tangible fixed assets	292,863	307,827
(Decrease) in deferred income	(38,089)	(13,976)
Movements in working capital:		
Decrease/(increase) in stocks	53,552	(11,404)
Decrease/(increase) in debtors	4,616	(127,022)
(Decrease)/increase in creditors	(63,515)	272
Cash generated from operations	409,391	348,772