

Registration number: 02572576

Pro-Align Ltd

Annual Report and Financial Statements

for the Year Ended 30 September 2018

10. Chartered Accountants
10 Cheyne Walk
Northampton
Northamptonshire
NN1 5PT



Pro-Align Ltd

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Pro-Align Ltd

Company Information

| | |
|--------------------------|---|
| Directors | Mr Philip John Wylie |
| | Mrs Kathryn Beaurain |
| | Mr Paul Beaurain |
| Company secretary | Mrs Kathryn Beaurain |
| Registered office | The Old Orchard Towcester Road Greens Norton Towcester Northamptonshire NN12 8AN |
| Auditors | 10. Chartered Accountants 10 Cheyne Walk Northampton Northamptonshire NN1 5PT |

Pro-Align Ltd

Strategic Report for the Year Ended 30 September 2018

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

Principal activity

The principal activity of the company is supply of wheel service equipment.

Fair review of the business

The activities of the company are focused on the Automotive aftermarket with the supply of wheel service equipment (aligners, balancers and tyre changers) accounting for the largest proportion of revenue. Aftersales service and maintenance activities are also a very important feature of the business, which provides a significant level of repeat business.

The Company supplies a diverse range of customers, spanning vehicle manufacturer sites (particularly R&D and Aftersales training centres), franchised dealer networks, body shops, independent garages and tyre specialists. This includes groups with hundreds of sites, as well as businesses operating out of just one site.

The company's products have shown that they can enhance opportunities across this diverse customer base, even in the uncertain times that we operate in.

The directors are again very pleased with the development of the business and despite a small reduction in turnover during the year to the end of September 2018 (see below), the Company has geared up for further growth.

Turnover decreased by less than 1% during the year. The year began very slowly, potentially impacted by continued uncertainty surrounding BREXIT but picked up very significantly in the second half of the year, as we revamped our approach to the market and strengthened many aspects of our business. Our service revenue continued to develop throughout the year benefiting from our large base of installed equipment and deep focus on customer care.

The company has worked closely with its main supplier and a number of new products were introduced which has helped us improve our position in the market.

Due to the potential for growth, the Directors continue to invest the company profits to help improve our resources and continue to develop the quality and efficiency of our sales and service activities across both the UK and the Republic of Ireland.

Pro-Align Ltd

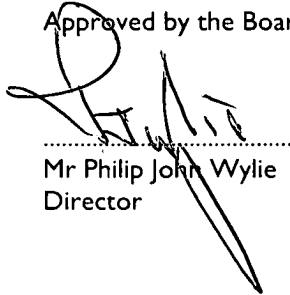
Strategic Report for the Year Ended 30 September 2018

Principal risks and uncertainties

The company's principle risk is of wide currency fluctuations, making planning and forward costing difficult. The company's main purchases are in US dollars.

It is important to maintain turnover levels in order to support the company's structure and the directors have successfully extended the customer base in order to spread this risk. The company supplies high end products and has exclusive distribution arrangements in place with its major supplier.

Approved by the Board on 8 May 2019 and signed on its behalf by:



.....
Mr Philip John Wylie
Director

Pro-Align Ltd

Directors' Report for the Year Ended 30 September 2018

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

Directors of the company

The directors who held office during the year were as follows:

Mr Philip John Wylie

Mrs Kathryn Beaurain - Company secretary and director

Mr Paul Beaurain

Future developments

The directors remain confident about the future and have approved significant investments for the new financial year. We believe that with continued focus and the commitment of our workforce, we are in a great position to grow the business and build on our position as one of the leading suppliers of Wheel Servicing Equipment in the UK and the Republic of Ireland.

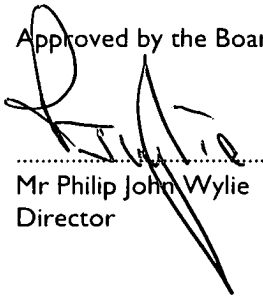
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors 10. Chartered Accountants are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 8 May 2019 and signed on its behalf by:



.....
Mr Philip John Wylie
Director

Pro-Align Ltd

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Pro-Align Ltd

Independent Auditor's Report to the Members of Pro-Align Ltd

Opinion

We have audited the financial statements of Pro-Align Ltd (the 'company') for the year ended 30 September 2018, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

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.

Pro-Align Ltd

Independent Auditor's Report to the Members of Pro-Align Ltd

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.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Statement of Directors' Responsibilities [set out on page 5], 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.

Pro-Align Ltd

Independent Auditor's Report to the Members of Pro-Align Ltd

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.

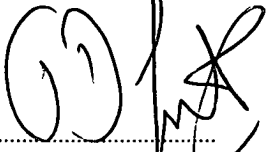
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pro-Align Ltd

Independent Auditor's Report to the Members of Pro-Align Ltd



J David Foster (Senior Statutory Auditor)

For and on behalf of IO. Chartered Accountants, Statutory Auditor

10 Cheyne Walk
Northampton
Northamptonshire
NN1 5PT

8 May 2019

Pro-Align Ltd

Profit and Loss Account for the Year Ended 30 September 2018

| | Note | 2018 £ | 2017 £ |
|--|------|-----------------------|-----------------------|
| Turnover | 3 | 7,327,478 | 7,379,540 |
| Cost of sales | | <u>(3,764,152)</u> | <u>(3,755,629)</u> |
| Gross profit | | 3,563,326 | 3,623,911 |
| Administrative expenses | | (3,264,906) | (2,785,779) |
| Other operating income | 4 | <u>1,621</u> | <u>3,855</u> |
| Operating profit | 6 | <u>300,041</u> | <u>841,987</u> |
| Other interest receivable and similar income | 7 | 289 | 128 |
| Interest payable and similar expenses | 8 | <u>151,149</u> | <u>54,950</u> |
| | | <u>151,438</u> | <u>55,078</u> |
| Profit before tax | | 451,479 | 897,065 |
| Taxation | 12 | <u>(90,885)</u> | <u>(176,861)</u> |
| Profit for the financial year | | <u><u>360,594</u></u> | <u><u>720,204</u></u> |

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 15 to 29 form an integral part of these financial statements.

Pro-Align Ltd

Statement of Comprehensive Income for the Year Ended 30 September 2018

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Profit for the year | <u>360,594</u> | <u>720,204</u> |
| Total comprehensive income for the year | <u><u>360,594</u></u> | <u><u>720,204</u></u> |

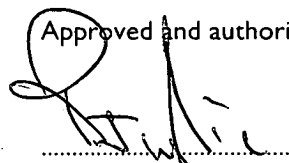
The notes on pages 15 to 29 form an integral part of these financial statements.

Pro-Align Ltd

(Registration number: 02572576)
Balance Sheet as at 30 September 2018

| | Note | 2018 £ | 2017 £ |
|--|------|------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 1,521,267 | 1,480,680 |
| Current assets | | | |
| Stocks | 14 | 1,815,297 | 2,484,653 |
| Debtors | 15 | 1,750,875 | 1,412,524 |
| Cash at bank and in hand | | <u>1,187,796</u> | <u>885,690</u> |
| | | 4,753,968 | 4,782,867 |
| Creditors: Amounts falling due within one year | 17 | <u>(956,469)</u> | <u>(1,045,664)</u> |
| Net current assets | | <u>3,797,499</u> | <u>3,737,203</u> |
| Total assets less current liabilities | | 5,318,766 | 5,217,883 |
| Creditors: Amounts falling due after more than one year | 17 | (260,088) | (293,636) |
| Provisions for liabilities | 18 | <u>(77,944)</u> | <u>(70,863)</u> |
| Net assets | | <u>4,980,734</u> | <u>4,853,384</u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 150 | 150 |
| Profit and loss account | | <u>4,980,584</u> | <u>4,853,234</u> |
| Total equity | | <u>4,980,734</u> | <u>4,853,384</u> |

Approved and authorised by the Board on 8 May 2019 and signed on its behalf by:


.....
Mr Philip John Wylie
Director

Pro-Align Ltd

Statement of Changes in Equity for the Year Ended 30 September 2018

| | Share capital £ | Profit and loss account £ | Total £ |
|----------------------------|--------------------|---------------------------------|------------|
| At 1 October 2017 | 150 | 4,853,234 | 4,853,384 |
| Profit for the year | - | 360,594 | 360,594 |
| Total comprehensive income | - | 360,594 | 360,594 |
| Dividends | - | (233,244) | (233,244) |
| At 30 September 2018 | 150 | 4,980,584 | 4,980,734 |
| | Share capital £ | Profit and loss account £ | Total £ |
| At 1 October 2016 | 150 | 4,302,662 | 4,302,812 |
| Profit for the year | - | 720,204 | 720,204 |
| Total comprehensive income | - | 720,204 | 720,204 |
| Dividends | - | (169,632) | (169,632) |
| At 30 September 2017 | 150 | 4,853,234 | 4,853,384 |

The notes on pages 15 to 29 form an integral part of these financial statements.

Pro-Align Ltd

Statement of Cash Flows for the Year Ended 30 September 2018

| | Note | 2018 £ | 2017 £ |
|---|------|-----------|-----------|
| Cash flows from operating activities | | | |
| Profit for the year | | 360,594 | 720,204 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 6 | 212,405 | 194,399 |
| Profit on disposal of tangible assets | 5 | (15,798) | (8,880) |
| Finance income | 7 | (289) | (128) |
| Finance costs | 8 | 5,284 | 6,576 |
| Income tax expense | 12 | 90,885 | 176,861 |
| | | 653,081 | 1,089,032 |
| Working capital adjustments | | | |
| Decrease in stocks | 14 | 669,356 | 165,108 |
| Increase in trade debtors | 15 | (338,351) | (307,316) |
| Increase/(decrease) in trade creditors | 17 | 37,044 | (269,317) |
| Cash generated from operations | | 1,021,130 | 677,507 |
| Income taxes paid | 12 | (198,929) | (191,231) |
| Net cash flow from operating activities | | 822,201 | 486,276 |
| Cash flows from investing activities | | | |
| Interest received | 7 | 289 | 128 |
| Acquisitions of tangible assets | | (304,853) | (144,503) |
| Proceeds from sale of tangible assets | | 67,658 | 305,465 |
| Net cash flows from investing activities | | (236,906) | 161,090 |
| Cash flows from financing activities | | | |
| Interest paid | 8 | (5,284) | (6,576) |
| Repayment of bank borrowing | | (33,368) | (33,510) |
| Payments to finance lease creditors | | (11,293) | (22,486) |
| Dividends paid | 22 | (233,244) | (169,632) |
| Net cash flows from financing activities | | (283,189) | (232,204) |
| Net increase in cash and cash equivalents | | 302,106 | 415,162 |
| Cash and cash equivalents at 1 October | | 885,690 | 470,528 |
| Cash and cash equivalents at 30 September | | 1,187,796 | 885,690 |

The notes on pages 15 to 29 form an integral part of these financial statements.

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Old Orchard
Towcester Road
Greens Norton
Towcester
Northamptonshire
NN12 8AN

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Judgements

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' best judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be appropriate.

Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|-----------------------|---|
| Freehold property | 2% on reducing balance |
| Plant and machinery | 25% on reducing balance |
| Fixtures and fittings | 40% on reducing balance and 25% on reducing balance |
| Motor vehicles | 30% on reducing balance |

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost was determined using the weighted average method in prior years however the company moved to a first in first out (FIFO) valuation method to protect from the unstable foreign exchange movements during the year.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments such as loans and other accounts receivable and payable are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method; Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

| | 2018 | 2017 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Sale of goods, UK | 7,199,455 | 7,149,099 |
| Sale of goods, Europe | <u>128,023</u> | <u>230,441</u> |
| | <u>7,327,478</u> | <u>7,379,540</u> |

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

| | 2018 | 2017 |
|--------------------------------------|--------------|--------------|
| | £ | £ |
| Miscellaneous other operating income | <u>1,621</u> | <u>3,855</u> |

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

| | 2018 | 2017 |
|--|---------------|--------------|
| | £ | £ |
| Gain (loss) on disposal of property, plant and equipment | <u>15,798</u> | <u>8,880</u> |

6 Operating profit

Arrived at after charging/(crediting)

| | 2018 | 2017 |
|---|-----------------|----------------|
| | £ | £ |
| Depreciation expense | 212,405 | 194,399 |
| Operating lease expense - plant and machinery | 8,857 | 11,728 |
| Profit on disposal of property, plant and equipment | <u>(15,798)</u> | <u>(8,880)</u> |

7 Other interest receivable and similar income

| | 2018 | 2017 |
|----------------------------------|------------|------------|
| | £ | £ |
| Interest income on bank deposits | <u>289</u> | <u>128</u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

8 Interest payable and similar expenses

| | 2018 | 2017 |
|--|------------------|-----------------|
| | £ | £ |
| Interest on bank overdrafts and borrowings | 4,591 | 4,309 |
| Foreign exchange (gains) / losses | (156,433) | (61,526) |
| Other finance costs | <u>693</u> | <u>2,267</u> |
| | <u>(151,149)</u> | <u>(54,950)</u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,778,343 | 1,558,269 |
| Social security costs | 182,853 | 157,310 |
| Pension costs, defined contribution scheme | 45,738 | 32,929 |
| Redundancy costs | 7,500 | - |
| | <u>2,014,434</u> | <u>1,748,508</u> |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| | No. | No. |
| Administration and support | 46 | 39 |
| Sales, marketing and distribution | 18 | 17 |
| | <u>64</u> | <u>56</u> |

10 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2018 | 2017 |
|--------------|---------------|---------------|
| | £ | £ |
| Remuneration | <u>27,132</u> | <u>14,952</u> |

11 Auditors' remuneration

| | 2018 | 2017 |
|-----------------------------------|--------------|--------------|
| | £ | £ |
| Audit of the financial statements | <u>3,195</u> | <u>3,100</u> |

| | 2018 | 2017 |
|--|--------------|--------------|
| | £ | £ |
| Estimated money value of benefits in kind for non-audit services | <u>3,768</u> | <u>3,663</u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

12 Taxation

Tax charged/(credited) in the income statement

| | 2018 £ | 2017 £ |
|--|----------------------|-----------------------|
| Current taxation | | |
| UK corporation tax | 83,355 | 198,930 |
| Deferred taxation | | |
| Arising from changes in tax rates and laws | <u>7,530</u> | <u>(22,069)</u> |
| Tax expense in the income statement | <u><u>90,885</u></u> | <u><u>176,861</u></u> |

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19%).

The differences are reconciled below:

| | 2018 £ | 2017 £ |
|--|----------------------|-----------------------|
| Profit before tax | <u>451,479</u> | <u>897,065</u> |
| Corporation tax at standard rate | 85,781 | 170,442 |
| Increase (decrease) from effect of different UK tax rates on some earnings | - | 4,487 |
| UK deferred tax expense (credit) relating to changes in tax rates or laws | 7,530 | (22,070) |
| Tax increase (decrease) from effect of capital allowances and depreciation | <u>(2,426)</u> | <u>24,002</u> |
| Total tax charge | <u><u>90,885</u></u> | <u><u>176,861</u></u> |

Deferred tax

Deferred tax assets and liabilities

| | Liability £ |
|------------------------------|----------------------|
| 2018 | |
| Accelerated tax depreciation | <u><u>77,944</u></u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

12 Taxation (continued)

| | Liability £ |
|------------------------------|------------------------|
| 2017 | |
| Accelerated tax depreciation | <u>70,863</u> |

13 Tangible assets

| | Land and buildings £ | Furniture, fittings and equipment £ | Motor vehicles £ | Other tangible assets £ |
|--------------------------|-------------------------------------|--|---------------------------------|--|
| Cost or valuation | | | | |
| At 1 October 2017 | 1,345,821 | 377,510 | 1,179,438 | 109,011 |
| Additions | - | 74,265 | 221,479 | 9,109 |
| Disposals | <u>-</u> | <u>(16,507)</u> | <u>(235,567)</u> | <u>(4,701)</u> |
| At 30 September 2018 | <u>1,345,821</u> | <u>435,268</u> | <u>1,165,350</u> | <u>113,419</u> |
| Depreciation | | | | |
| At 1 October 2017 | 371,068 | 280,852 | 801,634 | 77,546 |
| Charge for the year | 22,305 | 49,109 | 132,262 | 8,730 |
| Eliminated on disposal | <u>-</u> | <u>(15,784)</u> | <u>(184,904)</u> | <u>(4,227)</u> |
| At 30 September 2018 | <u>393,373</u> | <u>314,177</u> | <u>748,992</u> | <u>82,049</u> |
| Carrying amount | | | | |
| At 30 September 2018 | <u>952,448</u> | <u>121,091</u> | <u>416,358</u> | <u>31,370</u> |
| At 30 September 2017 | <u>974,753</u> | <u>96,658</u> | <u>377,804</u> | <u>31,465</u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

13 Tangible assets (continued)

| | Total £ |
|--------------------------|-------------------------|
| Cost or valuation | |
| At 1 October 2017 | 3,011,780 |
| Additions | 304,853 |
| Disposals | <u>(256,775)</u> |
| At 30 September 2018 | <u>3,059,858</u> |
| Depreciation | |
| At 1 October 2017 | 1,531,100 |
| Charge for the year | 212,406 |
| Eliminated on disposal | <u>(204,915)</u> |
| At 30 September 2018 | <u>1,538,591</u> |
| Carrying amount | |
| At 30 September 2018 | <u><u>1,521,267</u></u> |
| At 30 September 2017 | <u><u>1,480,680</u></u> |

Included within the net book value of land and buildings above is £952,448 (2017 - £974,753) in respect of freehold land and buildings.

14 Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------------------|-------------------------|
| Finished goods and goods for resale | <u><u>1,815,297</u></u> | <u><u>2,484,653</u></u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

15 Debtors

| | 2018 £ | 2017 £ |
|---------------------------------------|-------------------------|-------------------------|
| Trade debtors | 1,685,463 | 1,381,561 |
| Other debtors | 11,643 | 9,104 |
| Prepayments | <u>53,769</u> | <u>21,859</u> |
| Total current trade and other debtors | <u><u>1,750,875</u></u> | <u><u>1,412,524</u></u> |

16 Cash and cash equivalents

| | 2018 £ | 2017 £ |
|--------------|-------------------------|-----------------------|
| Cash on hand | 152 | 309 |
| Cash at bank | <u>1,187,644</u> | <u>885,381</u> |
| | <u><u>1,187,796</u></u> | <u><u>885,690</u></u> |

17 Creditors

| | Note | 2018 £ | 2017 £ |
|---------------------------------|------|-----------------------|-------------------------|
| Due within one year | | | |
| Loans and borrowings | 21 | 33,682 | 44,347 |
| Trade creditors | | 593,838 | 535,858 |
| Social security and other taxes | | 226,995 | 198,870 |
| Other payables | | 9,427 | 5,660 |
| Accrued expenses | | 9,172 | 62,000 |
| Income tax liability | 12 | <u>83,355</u> | <u>198,929</u> |
| | | <u><u>956,469</u></u> | <u><u>1,045,664</u></u> |
| Due after one year | | | |
| Loans and borrowings | 21 | <u><u>260,088</u></u> | <u><u>293,636</u></u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

18 Deferred tax and other provisions

| | Deferred tax £ | Total £ |
|-----------------------|-------------------|---------------|
| At 1 October 2017 | 70,863 | 70,863 |
| Additional provisions | <u>7,081</u> | <u>7,081</u> |
| At 30 September 2018 | <u>77,944</u> | <u>77,944</u> |

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £45,738 (2017 - £32,929).

20 Share capital

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|-----------------------------------|------------|------------|------------|------------|
| | No. | £ | No. | £ |
| Ordinary share capital of £1 each | <u>150</u> | <u>150</u> | <u>150</u> | <u>150</u> |

21 Loans and borrowings

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Non-current loans and borrowings | | |
| Bank borrowings | <u>260,088</u> | <u>293,636</u> |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

21 Loans and borrowings (continued)

| | 2018 £ | 2017 £ |
|-------------------------------------|---------------|---------------|
| Current loans and borrowings | | |
| Bank borrowings | 33,682 | 33,747 |
| Finance lease liabilities | <u>-</u> | <u>10,600</u> |
| | <u>33,682</u> | <u>44,347</u> |

Bank borrowings

Bank loan is denominated in with a nominal interest rate of 1% over base%, and the final instalment is due on 19 October 2026. The carrying amount at year end is £293,771 (2017 - £327,382).

The bank loan is secured by a fixed charge over the freehold property.

Other borrowings

Hire purchase is denominated in with a nominal interest rate of 7.15%%, and the final instalment is due on 17 March 2018. The carrying amount at year end is £Nil (2017 - £10,600).

The hire purchase contracts are secured over the assets to which they relate.

22 Dividends

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Interim dividend of £1,554.96 (2017 - £1,130.88) per ordinary share | 233,244 | 169,632 |

Pro-Align Ltd

Notes to the Financial Statements for the Year Ended 30 September 2018

23 Related party transactions

Summary of transactions with entities with joint control or significant interest

Pro-Align Ireland Limited, an Irish company owned by the majority of the Pro-Align Limited shareholders.

Income and receivables from related parties

| | Entities with joint control or significant influence £ |
|---------------------------------------|---|
| 2018 | |
| Sale of goods | <u>132,155</u> |
| Amounts receivable from related party | <u>432,095</u> |
| | |
| | Entities with joint control or significant influence £ |
| 2017 | |
| Sale of goods | <u>221,889</u> |
| Amounts receivable from related party | <u>439,579</u> |