

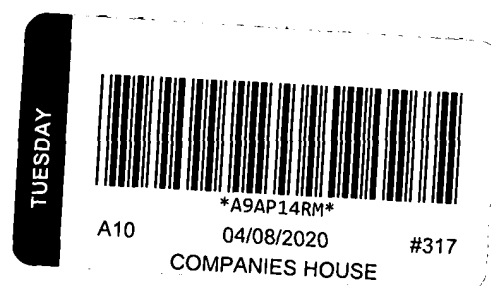
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COMPANY REGISTRATION NUMBER: 03045350

David Salisbury Joinery Limited

Financial Statements

31 December 2019



WEBB & CO LTD

Accountants and Business Advisers & statutory auditor
One New Street
Wells
Somerset
BA5 2LA

David Salisbury Joinery Limited

Financial Statements

Year ended 31 December 2019

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	6
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13

David Salisbury Joinery Limited

Officers and Professional Advisers

The board of directors

D Salisbury
W Kangurs
K Bell Hutt

Company secretary

C A Salisbury

Registered office

Bennett Road
Isleport Business Park
Highbridge
Somerset
TA9 4PW

Auditor

Webb & Co Ltd
Accountants and Business Advisers & statutory auditor
One New Street
Wells
Somerset
BA5 2LA

Bankers

National Westminster
1st Floor, Lakeside House
Blackbrook Business Park
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

David Salisbury Joinery Limited

Strategic Report

Year ended 31 December 2019

Principal Activity

The principal activity of the Company is the manufacture, sale and installation of bespoke timber windows, doors, orangeries, conservatories and garden rooms.

2019 Trading Summary

The trading year for 2019 was very satisfactory with a profit of £530k being reported despite exceptional costs of £152k involved with the setting up of David Salisbury Group Holdings Limited and the associated restructuring. Despite continued uncertainty over Brexit for the whole of the period, the company increased both turnover and order intake. Revenue in the year was £14.1m up 5.2% from 2018. Sales order intake was up 3.4% at £15.1m from £14.6m in 2018.

As noted above Profits were down, on 2018, but given the extraordinary costs incurred in the restructure, this is considered to be a very satisfactory outcome.

Other financial key performance indicators are as follows;

	2019	2018	2017
	£	£	£
Gross Profit (000's)	4,264	4,206	3,107
Gross Profit Margin (%)	30	32	25
Net Asset Value (000's)	1,085	1,089	636

Confidence in the business is such that orders for further £1.1m in new investment in machinery were placed in December for equipment to be commissioned during 2020. This will result in a full modernisation to the very latest technology of the company's window and door production as well as a significant increase in our capacity for manufacturing oak buildings.

2020 Outlook

Before the advent of Covid-19 the prospects for 2020 were extremely promising with forecast increases in orders, turnover and profit.

The government imposed restrictions on social distancing which were implemented by the company with immediate effect. These restrictions have had a limited impact on the administrative side of the business with the majority of admin staff able to work from home. Sales activity is now all conducted online and has so far not been significantly impacted and trading results for the first quarter of 2020 are very strong. Site work continues with fitters and builders having no contact with clients, and socially distanced from each other. The manufacturing facility has been able to continue in operation as it uses significant automation and operatives are able to avoid close contact with colleagues.

The most significant risk to the business is in the supply chain. Shortages, although these have not yet occurred, could lead to production slowing or in the worst case being halted. In this instance the company would adopt the government's scheme to pay furloughed employees 80% of their earnings, which will help with staff retention and allow the business to recover quickly from any downturn.

With the restrictions imposed by the government and the falls in the financial markets affecting consumer confidence, the company must now plan for reduced orders and expect a reduction in turnover and profit. However, the company has strong cash reserves and can flex its operations if necessary, to weather a significant period of disruption.

David Salisbury Joinery Limited

Strategic Report *(continued)*

Year ended 31 December 2019

The company has significant cash to manage a shutdown of several months while continuing to take orders, without requiring additional finance. In this scenario once restarted, work will be immediately flat out to fulfill orders and a rapid bounce back in profitability and cash flow will follow.

The Board would like to take this opportunity to thank all employees for their continued support and commitment.

This report was approved by the board of directors on 30/03/2020 and signed on behalf of the board by:



D Salisbury
Director

Registered office:
Bennett Road
Isleport Business Park
Highbridge
Somerset
TA9 4PW

'David Salisbury Joinery Limited

Directors' Report

Year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Directors

The directors who served the company during the year were as follows:

D Salisbury
W Kangurs
K Bell Hutt
P Clunie (Resigned 25 July 2019)

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

Directors' responsibilities statement

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

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

David Salisbury Joinery Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 30/03/2020 and signed on behalf of the board by:



D Salisbury
Director

Registered office:
Bennett Road
Isleport Business Park
Highbridge
Somerset
TA9 4PW

David Salisbury Joinery Limited

Independent Auditor's Report to the Members of David Salisbury Joinery Limited

Year ended 31 December 2019

Opinion

We have audited the financial statements of David Salisbury Joinery Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, 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 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

David Salisbury Joinery Limited

Independent Auditor's Report to the Members of David Salisbury Joinery Limited *(continued)*

Year ended 31 December 2019

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

David Salisbury Joinery Limited

Independent Auditor's Report to the Members of David Salisbury Joinery Limited *(continued)*

Year ended 31 December 2019

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.

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 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.
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David Salisbury Joinery Limited

Independent Auditor's Report to the Members of David Salisbury Joinery Limited *(continued)*

Year ended 31 December 2019

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.

Use of our report

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



Barry Davidson FCA FCCA (Senior Statutory Auditor)

For and on behalf of
Webb & Co Ltd
Accountants and Business Advisers & statutory auditor
One New Street
Wells
Somerset
BA5 2LA

Dated 3 April 2020

David Salisbury Joinery Limited

Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	14,077,197	13,276,350
Cost of sales		9,812,355	9,070,204
Gross profit		4,264,842	4,206,146
Distribution costs		1,471,627	1,406,270
Administrative expenses		2,095,928	2,000,458
Exceptional item - restructuring costs		152,848	–
Operating profit	5	544,439	799,418
Other interest receivable and similar income	9	5,142	2,601
Interest payable and similar expenses	10	19,579	44,649
Profit before taxation		530,002	757,370
Tax on profit	11	(6,604)	147,110
Profit for the financial year and total comprehensive income		536,606	610,260

All the activities of the company are from continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

David Salisbury Joinery Limited

Statement of Financial Position

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	885,788	3,021,812
Investments	14	3	3
		<u>885,791</u>	<u>3,021,815</u>
Current assets			
Stocks	15	461,122	458,584
Debtors	16	2,749,751	1,377,091
Cash at bank and in hand		<u>1,861,478</u>	<u>1,799,121</u>
		5,072,351	3,634,796
Creditors: amounts falling due within one year	17	<u>4,547,504</u>	<u>4,415,553</u>
Net current assets/(liabilities)		524,847	(780,757)
Total assets less current liabilities		1,410,638	2,241,058
Creditors: amounts falling due after more than one year	18	177,753	1,010,664
Provisions	20	<u>147,441</u>	<u>143,556</u>
Net assets		<u>1,085,444</u>	<u>1,086,838</u>
Capital and reserves			
Called up share capital	23	140,525	140,525
Share premium account	24	14,850	14,850
Capital redemption reserve	24	60,475	60,475
Profit and loss account	24	<u>869,594</u>	<u>870,988</u>
Shareholders funds		<u>1,085,444</u>	<u>1,086,838</u>

These financial statements were approved by the board of directors and authorised for issue on 30/03/2020, and are signed on behalf of the board by:


D Salisbury
Director

Company registration number: 03045350

The notes on pages 13 to 27 form part of these financial statements.

David Salisbury Joinery Limited

Statement of Changes in Equity

Year ended 31 December 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2018	140,525	14,850	60,475	420,212	636,062
Profit for the year	—	—	—	610,260	610,260
Total comprehensive income for the year	—	—	—	610,260	610,260
Dividends paid and payable	12	—	—	(159,484)	(159,484)
Total investments by and distributions to owners	—	—	—	(159,484)	(159,484)
At 31 December 2018	140,525	14,850	60,475	870,988	1,086,838
Profit for the year	—	—	—	536,606	536,606
Total comprehensive income for the year	—	—	—	536,606	536,606
Dividends paid and payable	12	—	—	(538,000)	(538,000)
Total investments by and distributions to owners	—	—	—	(538,000)	(538,000)
At 31 December 2019	<u>140,525</u>	<u>14,850</u>	<u>60,475</u>	<u>869,594</u>	<u>1,085,444</u>

The notes on pages 13 to 27 form part of these financial statements.

David Salisbury Joinery Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Bennett Road, Isleport Business Park, Highbridge, Somerset, TA9 4PW.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis with freehold land and buildings being carried at fair value.

The financial statements are prepared in sterling, which is the functional currency of the entity.

The nature of the company's operations and principal activities are the design, manufacture and installation of bespoke wooden orangeries, conservatories and extensions.

(b) Going concern

On 11 March 2020 the World Health Organisation declared a worldwide pandemic as a result of the Covid-19 virus.

The government has imposed restrictions on social distancing which were implemented by the company with immediate effect. Site work currently continues with fitters and builders having no contact with clients, and socially distanced from each other. The manufacturing facility has been able to continue in operation as it uses significant automation and operatives are able to avoid close contact with colleagues.

The most significant risk to the business is both the length and severity of government restrictions and the effect to the supply chain. Shortages, although these have not yet occurred, could lead to production slowing or in the worst case being halted. In this instance the company would adopt the government's scheme to pay furloughed employees 80% of their earnings, which will help with staff retention and allow the business to recover quickly from any downturn.

The company has significant cash to manage a shutdown of several months while continuing to take orders, without requiring additional finance. In this scenario once restarted, work will be immediately flat out to fulfill orders and a rapid bounce back in profitability and cash flow will follow. Additional financing could be sought if the restrictions lasted for longer than currently anticipated.

The directors taking account of the above in forming their opinion are satisfied that the going concern basis of preparation of accounts remains appropriate.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102, as such, advantage has been taken of the disclosure exemptions available under paragraph 1.12 of FRS 102 to dispense with the statement of cashflows and related notes.

This information is included in the consolidated financial statements of David Salisbury Group Holdings Limited as at 31 December 2019 and these financial statements may be obtained from the company's registered office.

(d) 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 period where the revision affects both current and future periods.

Critical Judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of assets

The tangible fixed assets are periodically reviewed for impairment by the directors based on their knowledge and judgements.

Key sources of estimation uncertainty

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

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Revenue recognition - construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, measured primarily based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately on uncertainty as well as the carrying amount as at the end of the reporting period.)

Depreciation and amortisation

The directors use their knowledge of the business and the industry to estimate the useful life and residual value of tangible assets in order to arrive at applicable depreciation and amortisation rates. In accordance with section 17 of FRS 102, the directors review and update these estimates if there are indicators that current estimates should change.

It must be noted that there is inherent uncertainty within these estimates as factors such as unexpected wear and tear, technological advancement and changes in market prices may result in future changes to the appropriate rate of depreciation.

Freehold property valuation

The directors use their knowledge of the local area and the business and industry to estimate the freehold property valuation with interim professional valuations on a cyclical basis.

(e) Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. Recognition occurs when there is an arrangement, primarily in the form of contract or purchase order, with the customer, a determining sales price is established with the customer, performance requirements are achieved, and it is probable that economic benefits associated with the transaction will flow to the company. The policies adopted for the recognition of turnover are as follows:

Contract costs

In respect of long term contracts, turnover represents the value of work done in the period, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to stage of completion.

Interest receivable

Interest income is recognised using the effective interest method.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

(f) Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

(g) Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

(h) Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

(i) Tangible assets

Freehold property is carried at fair value less subsequent accumulated depreciation and accumulated impairment losses under the revaluation model.

A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset.

Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

(j) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line - land is not depreciated
Plant and machinery	-	straight line over 3-10 years
Fixtures and fittings	-	straight line over 1-10 years
Motor vehicles	-	25% reducing balance

(k) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

(l) Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. The cost formula used to value stock is first-in-first-out.

Provision is made for damaged, obsolete and slow-moving stock where appropriate.

(m) Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

(n) Construction contracts

Where the outcome of construction contracts can be reliably estimated, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity as at the period end.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Construction contracts *(continued)*

Where the outcome of construction contracts cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is expensed immediately, with a corresponding provision for an onerous contract being recognised.

Where the collectability of an amount already recognised as contract revenue is no longer probable, the uncollectible amount is expensed rather than recognised as an adjustment to the amount of contract revenue.

The entity uses the percentage of completion method to determine the amounts to be recognised in the period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred for work performed to date do not include costs relating to future activity, such as for materials or prepayments.

(o) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

(p) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

(q) Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

(r) Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

4. Turnover

Turnover arises from:

	2019 £	2018 £
Construction contracts	<u>14,077,197</u>	<u>13,276,350</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2019 £	2018 £
United Kingdom	13,705,039	13,235,080
Overseas	372,158	41,270
	<u>14,077,197</u>	<u>13,276,350</u>

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019 £	2018 £
Depreciation of tangible assets	222,365	208,998
Loss on disposal of tangible assets	9,405	3,485
Foreign exchange differences	<u>(1,338)</u>	<u>-</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	<u>14,050</u>	<u>13,234</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Production staff	91	91
Administrative staff	10	11
Sales, marketing and distribution staff	32	32
	<u>133</u>	<u>134</u>

David Salisbury Joinery Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

7. Staff costs (continued)

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	3,757,671	3,767,545
Social security costs	362,472	346,074
Other pension costs	131,163	91,606
	<u>4,251,306</u>	<u>4,205,225</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	420,960	397,413
Company contributions to defined contribution pension plans	9,203	5,635
	<u>430,163</u>	<u>403,048</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	<u>2</u>	<u>3</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019	2018
	£	£
Aggregate remuneration	154,399	139,350
Company contributions to defined contribution pension plans	3,767	2,187
	<u>158,166</u>	<u>141,537</u>

9. Other interest receivable and similar income

	2019	2018
	£	£
Interest on bank deposits	4,677	2,601
Interest receivable on taxation	465	—
	<u>5,142</u>	<u>2,601</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

10. Interest payable and similar expenses

	2019 £	2018 £
Interest on banks loans and overdrafts	4,895	31,858
Interest on obligations under finance leases and hire purchase contracts	14,684	12,791
	<u>19,579</u>	<u>44,649</u>

11. Tax on profit

Major components of tax (income)/expense

	2019 £	2018 £
Current tax:		
UK current tax expense	80,013	130,266
Adjustments in respect of prior periods	(90,502)	–
Total current tax	<u>(10,489)</u>	<u>130,266</u>
Deferred tax:		
Origination and reversal of timing differences	3,885	16,844
Tax on profit	<u>(6,604)</u>	<u>147,110</u>

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	530,002	757,370
Profit on ordinary activities by rate of tax	100,701	143,900
Adjustment to tax charge in respect of prior periods	(90,502)	–
Effect of expenses not deductible for tax purposes	29,901	1,402
Effect of capital allowances and depreciation	(416)	(15,036)
Deferred tax expense (credit) from unrecognised tax loss or credit	3,885	16,844
Affect of R&D tax claim	(50,173)	–
Tax on profit	<u>(6,604)</u>	<u>147,110</u>

12. Dividends

	2019 £	2018 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>538,000</u>	<u>159,484</u>

David Salisbury Joinery Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

13. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2019	2,100,000	3,180,679	629,723	261,185	6,171,587
Additions	–	30,502	19,164	138,390	188,056
Disposals	(2,100,000)	(14,027)	–	(112,140)	(2,226,167)
At 31 December 2019	<u>–</u>	<u>3,197,154</u>	<u>648,887</u>	<u>287,435</u>	<u>4,133,476</u>
Depreciation					
At 1 January 2019	30,000	2,544,518	426,123	149,134	3,149,775
Charge for the year	3,750	101,748	69,616	47,251	222,365
Disposals	(33,750)	–	–	(90,702)	(124,452)
At 31 December 2019	<u>–</u>	<u>2,646,266</u>	<u>495,739</u>	<u>105,683</u>	<u>3,247,688</u>
Carrying amount					
At 31 December 2019	<u>–</u>	<u>550,888</u>	<u>153,148</u>	<u>181,752</u>	<u>885,788</u>
At 31 December 2018	<u>2,070,000</u>	<u>636,161</u>	<u>203,600</u>	<u>112,051</u>	<u>3,021,812</u>

Tangible assets held at valuation

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
At 31 December 2019	
Aggregate cost	–
Aggregate depreciation	–
Carrying value	<u>–</u>
At 31 December 2018	
Aggregate cost	1,484,718
Aggregate depreciation	(19,388)
Carrying value	<u>1,465,330</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

14. Investments

	Shares in group undertakings £
Cost	
At 1 January 2019 and 31 December 2019	3
Impairment	
At 1 January 2019 and 31 December 2019	—
Carrying amount	
At 31 December 2019	3
At 31 December 2018	3

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Clifton Joinery Limited	Ordinary shares	100
Clifton Oak Limited	Ordinary shares	100
Oakminster Limited	Ordinary shares	100

The principal activity of Clifton Joinery Limited is a dormant company.

The principal activity of County Oak Limited is a dormant company.

The principal activity of Oakminster Limited is a dormant company.

The profit for the financial period of Clifton Joinery Limited was £nil and the aggregate amount of capital and reserves at the end of the period was £1.

The profit for the financial period of County Oak Limited was £nil and the aggregate amount of capital and reserves at the end of the period was £1.

The profit for the financial period of Oakminster Limited was £nil and the aggregate amount of capital and reserves at the end of the period was £1.

15. Stocks

	2019 £	2018 £
Raw materials and consumables	461,122	458,584

David Salisbury Joinery Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

16. Debtors

	2019 £	2018 £
Trade debtors	12,303	29,673
Amounts owed by group undertakings	1,321,155	–
Amounts owed by customers on construction contracts	501,767	454,442
Prepayments and accrued income	911,466	887,712
Other debtors	3,060	5,264
	<u>2,749,751</u>	<u>1,377,091</u>

17. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans and overdrafts	–	52,622
Trade creditors	1,005,524	1,042,854
Accruals	290,415	308,703
Corporation tax	80,014	130,266
Social security and other taxes	369,974	382,369
Amounts owed to customers on construction contracts	2,654,950	2,355,618
Obligations under finance leases and hire purchase contracts	77,991	74,494
Other creditors	68,636	68,627
	<u>4,547,504</u>	<u>4,415,553</u>

18. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Bank loans and overdrafts	–	754,921
Obligations under finance leases and hire purchase contracts	177,753	255,743
	<u>177,753</u>	<u>1,010,664</u>

The bank borrowings are secured by a fixed and floating charge over all assets and undertakings of the company. The loan is, in addition, secured by a first legal charge over the freehold property.

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2019 £	2018 £
Not later than 1 year	77,991	74,494
Later than 1 year and not later than 5 years	177,753	255,743
	<u>255,744</u>	<u>330,237</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

20. Provisions

	Warranties £	Deferred tax (note 21) £	Total £
At 1 January 2019	39,000	104,556	143,556
Additions	—	3,885	3,885
At 31 December 2019	39,000	108,441	147,441

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Included in provisions (note 20)	108,441	104,556

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019 £	2018 £
Accelerated capital allowances	108,441	104,556

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £131,163 (2018: £91,606).

23. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	133,499	133,499.00	133,499	133,499.00
Ordinary A shares of £1 each	7,026	7,026.00	7,026	7,026.00
	<u>140,525</u>	<u>140,525.00</u>	<u>140,525</u>	<u>140,525.00</u>

24. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	47,747	84,654
Later than 1 year and not later than 5 years	35,533	71,472
	<u>83,280</u>	<u>156,126</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £71,142 (2018 £109,186)

26. Other financial commitments

Capital Commitments

Post year end the company has committed to a £1.1m investment in factory machinery.

27. Events after the end of the reporting period

Non Adjusting Post Balance Sheet Events

On 11 March 2020 the World Health Organisation declared a worldwide pandemic due to the Covid-19 virus. As explained in the Strategic Report and Going Concern note 3 (b), although this has had no impact on the figures reported to 31 December 2019, future sales orders and supply chain fulfillments may be impacted due to current and potential additional future restrictions imposed by the government. The Company has contingency plans in place to adapt to these changing circumstances.

28. Related party transactions

Transactions with directors

The directors of the company received dividends totalling £nil during the year (2018 £99,484).

29. Controlling party

The ultimate holding company during the year was David Salisbury Group Holdings Ltd (Company Number 11655346), a company registered and incorporated in England and Wales. Copies of financial statements of David Salisbury Group Holdings Ltd may be obtained from Bennett Road,