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COMPANY REGISTRATION NUMBER: 03045350

David Salisbury Joinery Limited
Financial Statements
31 December 2017

WEDNESDAY



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05/09/2018
COMPANIES HOUSE

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 2017

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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 2017

Principal Activity

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

2017 Trading Summary

The trading year for 2017 was characterised by a difficult start in Q1 due to the cost increases of our imported materials. These increases had to be borne ahead of the increasing margins resulting from price rises the Company put through on 1st January. The typical six month lead times result in the benefits of the price rises gradually filtering through to margins during the year. Q4 delivered a profitable result and a positive trend.

The initial impact of Brexit slowed order intake mid 2016 but there was a strong recovery at the end of the 2016 which continued throughout 2017. Sales orders intake for 2017 was 9% up on 2016 at a record £15.4m.

The core business remains painted timber retail products and this is where the growth in sales orders was achieved. The Commercial element of our business remained stable in the year and this is an area where growth is targeted for 2018.

Revenue recognised in the period of £12.6m was 2% down on 2016, held back by the Brexit dip mid-2016, however, growth in revenue for 2018 is all but assured as a result of the significantly increased order book and long lead times.

2018 Outlook

The larger order book carried into 2018, coupled with the fact that the initial shock of Brexit has now passed gives us cause for optimism. The increase in margin and profit in Q4 2017, has carried through into the start of 2018, which has started with a positive outlook. This has given the business confidence to make substantial new investment in plant and machinery; both to upgrade older equipment and to invest in new automation.

The strategy is to maintain our core sales whilst driving growth in our newer oak product range and the commercial arm making the most of our innovative designs and high quality product offering. New cost pressures are emerging with further material price increases in the pipeline. However, these are not on the scale of 2016 and the high order book and focus on reducing costs, gives us confidence that the business will produce a respectable profit in 2018.

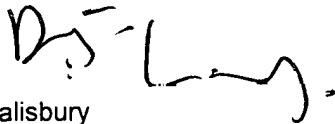
The Board would like to take this opportunity to thank all the employees for their continued support and commitment.

David Salisbury Joinery Limited

Strategic Report *(continued)*

Year ended 31 December 2017

This report was approved by the board of directors on 9-4-2018 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 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

Directors

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

D Salisbury
W Kangurs
K Bell Hutt

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.

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.

David Salisbury Joinery Limited

Directors' Report *(continued)*

Year ended 31 December 2017

This report was approved by the board of directors on 2-4-2018 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 2017

Opinion

We have audited the financial statements of David Salisbury Joinery Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows 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).

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 31 December 2017 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 2017

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 2017

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 2017

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.



Barry Davidson ACA 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

11 April 2018

David Salisbury Joinery Limited

Statement of Comprehensive Income

Year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	12,561,029	12,806,995
Cost of sales		9,453,534	9,254,458
Gross profit		3,107,495	3,552,537
Distribution costs		1,266,818	1,349,778
Administrative expenses		1,808,849	1,954,588
Operating profit	5	31,828	248,171
Other interest receivable and similar income	9	979	1,316
Interest payable and similar expenses	10	32,087	32,938
Profit before taxation		720	216,549
Tax on profit	11	(3,471)	60,519
Profit for the financial year		4,191	156,030
Reclassification from revaluation reserve to profit and loss account		50,000	—
Total comprehensive income for the year		54,191	156,030

All the activities of the company are from continuing operations.

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


David Salisbury Joinery Limited

Statement of Financial Position

31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	13	–	29,645
Tangible assets	14	2,737,200	2,648,393
Investments	15	3	3
		<u>2,737,203</u>	<u>2,678,041</u>
Current assets			
Stocks	16	460,302	446,311
Debtors	17	1,077,928	950,372
Cash at bank and in hand		1,363,266	1,207,997
		<u>2,901,496</u>	<u>2,604,680</u>
Creditors: amounts falling due within one year	18	3,983,714	3,602,031
Net current liabilities		<u>1,082,218</u>	<u>997,351</u>
Total assets less current liabilities		<u>1,654,985</u>	<u>1,680,690</u>
Creditors: amounts falling due after more than one year	19	892,211	873,424
Provisions	21	126,712	140,634
Net assets		<u><u>636,062</u></u>	<u><u>666,632</u></u>
Capital and reserves			
Called up share capital	25	140,525	140,525
Share premium account	26	14,850	14,850
Capital redemption reserve	26	60,475	60,475
Profit and loss account	26	420,212	450,782
Shareholders funds		<u><u>636,062</u></u>	<u><u>666,632</u></u>

These financial statements were approved by the board of directors and authorised for issue on 9-4-2018 and are signed on behalf of the board by:


D Salisbury
Director

Company registration number: 03045350

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

David Salisbury Joinery Limited

Statement of Changes in Equity

Year ended 31 December 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2016	200,750	14,850	250	945,930	1,161,780
Profit for the year	—	—	—	156,030	156,030
Total comprehensive income for the year	—	—	—	156,030	156,030
Dividends paid and payable	12	—	—	(101,178)	(101,178)
Cancellation of subscribed capital	(60,225)	—	—	(550,000)	(610,225)
Redemption of shares	—	—	60,225	—	60,225
Total investments by and distributions to owners	(60,225)	—	60,225	(651,178)	(651,178)
At 31 December 2016	140,525	14,850	60,475	450,782	666,632
Profit for the year	—	—	—	4,191	4,191
Other comprehensive income for the year:					
Reclassification from revaluation reserve to profit and loss account	—	—	—	50,000	50,000
Total comprehensive income for the year	—	—	—	54,191	54,191

The statement of changes in equity
continues on the following page.

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

David Salisbury Joinery Limited

Statement of Changes in Equity *(continued)*

Year ended 31 December 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
Dividends paid and payable	12 —	—	—	(84,761)	(84,761)
Total investments by and distributions to owners	—	—	—	(84,761)	(84,761)
At 31 December 2017	<u>140,525</u>	<u>14,850</u>	<u>60,475</u>	<u>420,212</u>	<u>636,062</u>

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

David Salisbury Joinery Limited

Statement of Cash Flows

Year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	4,191	156,030
<i>Adjustments for:</i>		
Depreciation of tangible assets	180,707	220,491
Amortisation of intangible assets	29,645	75,904
Other interest receivable and similar income	(979)	(1,316)
Interest payable and similar expenses	32,087	32,938
Loss/(gains) on disposal of tangible assets	2,663	(5,171)
Tax on profit	(3,471)	60,519
Accrued (income)/expenses	(212,242)	67,636
<i>Changes in:</i>		
Stocks	(13,991)	(222,615)
Trade and other debtors	(127,556)	30,116
Trade and other creditors	637,699	58,919
Provisions and employee benefits	(21,000)	60,000
Cash generated from operations	507,753	533,451
Interest paid	(32,087)	(32,938)
Interest received	979	1,316
Tax paid	(43,229)	(34,107)
Net cash from operating activities	<u>433,416</u>	<u>467,722</u>
Cash flows from investing activities		
Purchase of tangible assets	(222,885)	(191,814)
Proceeds from sale of tangible assets	708	5,532
Net cash used in investing activities	<u>(222,177)</u>	<u>(186,282)</u>
Cash flows from financing activities		
Purchase of own shares	—	(550,000)
Proceeds from borrowings	(51,621)	453,442
Payments of finance lease liabilities	80,412	(32,886)
Dividends paid	(84,761)	(101,178)
Net cash used in financing activities	<u>(55,970)</u>	<u>(230,622)</u>
Net increase in cash and cash equivalents	155,269	50,818
Cash and cash equivalents at beginning of year	1,207,997	1,157,179
Cash and cash equivalents at end of year	<u>1,363,266</u>	<u>1,207,997</u>

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

David Salisbury Joinery Limited

Notes to the Financial Statements

Year ended 31 December 2017

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.

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) Consolidation

Exemption from preparing group accounts has been taken under Section 405(2) of the Companies Act 2006, on the basis that all of the subsidiaries are immaterial in aggregate. These financial statements refer only to the parent company.

(c) Judgements and key sources of estimation uncertainty

The following key judgements have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

Key sources of estimation uncertainty

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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

(d) 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 and contracts for on-going services, 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.

(e) 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.

(f) 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.

(g) Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

(h) Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	straight line over 1-3 years
Development costs	-	straight line over 10 years
Website development costs	-	straight line over 3 years
Licences costs	-	straight line over 3 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

(i) Tangible assets

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.

(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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

(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.

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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Provisions *(continued)*

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.

(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 2017

3. Accounting policies *(continued)*

4. Turnover

Turnover arises from:

	2017 £	2016 £
Construction contracts	<u>12,561,029</u>	<u>12,806,995</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:

	2017 £	2016 £
United Kingdom	12,448,868	12,704,597
Overseas	<u>112,161</u>	<u>102,398</u>
	<u>12,561,029</u>	<u>12,806,995</u>

5. Operating profit

Operating profit or loss is stated after charging:

	2017 £	2016 £
Amortisation of intangible assets	29,645	75,904
Depreciation of tangible assets	180,707	220,491
Loss/(gains) on disposal of tangible assets	2,563	(5,171)
Impairment of trade debtors	<u>—</u>	<u>(1,025)</u>

6. Auditor's remuneration

	2017 £	2016 £
Fees payable for the audit of the financial statements	<u>10,620</u>	<u>10,000</u>

7. Staff costs

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

	2017 No.	2016 No.
Production staff	89	87
Administrative staff	10	11
Sales, marketing and distribution staff	<u>31</u>	<u>32</u>
	<u>130</u>	<u>130</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

7. Staff costs *(continued)*

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

	2017	2016
	£	£
Wages and salaries	3,495,015	3,622,639
Social security costs	338,481	336,433
Other pension costs	72,588	72,970
	<u>3,906,084</u>	<u>4,032,042</u>

8. Directors' remuneration

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

	2017	2016
	£	£
Remuneration	266,582	423,931
Company contributions to defined contribution pension plans	3,200	3,649
	<u>269,782</u>	<u>427,580</u>

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

	2017	2016
	No.	No.
Defined contribution plans	<u>3</u>	<u>4</u>

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

	2017	2016
	£	£
Aggregate remuneration	108,191	113,471
Company contributions to defined contribution pension plans	1,600	1,467
	<u>109,791</u>	<u>114,938</u>

9. Other interest receivable and similar income

	2017	2016
	£	£
Interest on bank deposits	<u>979</u>	<u>1,316</u>

10. Interest payable and similar expenses

	2017	2016
	£	£
Interest on banks loans and overdrafts	28,080	29,764
Interest on obligations under finance leases and hire purchase contracts	4,007	3,174
	<u>32,087</u>	<u>32,938</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

11. Tax on profit

Major components of tax (income)/expense

	2017 £	2016 £
Current tax:		
UK current tax (income)/expense	(9,515)	53,778
Adjustments in respect of prior periods	(1,034)	107
Total current tax	<u>(10,549)</u>	<u>53,885</u>
Deferred tax:		
Origination and reversal of timing differences	7,078	6,634
Tax on profit	<u>(3,471)</u>	<u>60,519</u>

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	720	216,549
Profit on ordinary activities by rate of tax	137	43,310
Adjustment to tax charge in respect of prior periods	1,034	107
Effect of expenses not deductible for tax purposes	795	418
Effect of capital allowances and depreciation	(5,980)	9,016
Deferred tax expense (credit) from unrecognised tax loss or credit	7,078	6,634
Tax increase (decrease) from short-term timing differences	(6,535)	1,034
Tax on profit	<u>(3,471)</u>	<u>60,519</u>

12. Dividends

	2017 £	2016 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>84,761</u>	<u>101,178</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

13. Intangible assets

	Goodwill £	Website development costs £	Research and development costs £	Licences costs £	Total £
Cost					
At 1 January 2017 and 31 December 2017	<u>263,885</u>	<u>88,308</u>	<u>281,323</u>	<u>31,907</u>	<u>665,423</u>
Amortisation					
At 1 January 2017	263,885	66,231	281,323	24,339	635,778
Charge for the year	–	22,077	–	7,568	29,645
At 31 December 2017	<u>263,885</u>	<u>88,308</u>	<u>281,323</u>	<u>31,907</u>	<u>665,423</u>
Carrying amount					
At 31 December 2017	–	–	–	–	–
At 31 December 2016	–	22,077	–	7,568	29,645

14. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2017	2,050,000	2,542,269	645,086	228,942	5,466,297
Additions	–	132,182	51,346	39,357	222,885
Disposals	–	–	–	(20,228)	(20,228)
Revaluations	50,000	–	–	–	50,000
Transfers	–	101,590	(103,821)	–	(2,231)
At 31 December 2017	<u>2,100,000</u>	<u>2,776,041</u>	<u>592,611</u>	<u>248,071</u>	<u>5,716,723</u>
Depreciation					
At 1 January 2017	–	2,300,586	383,873	133,445	2,817,904
Charge for the year	15,000	75,668	62,643	27,396	180,707
Disposals	–	–	–	(16,957)	(16,957)
Transfers	–	80,100	(82,231)	–	(2,131)
At 31 December 2017	<u>15,000</u>	<u>2,456,354</u>	<u>364,285</u>	<u>143,884</u>	<u>2,979,523</u>
Carrying amount					
At 31 December 2017	<u>2,085,000</u>	<u>319,687</u>	<u>228,326</u>	<u>104,187</u>	<u>2,737,200</u>
At 31 December 2016	<u>2,050,000</u>	<u>241,683</u>	<u>261,213</u>	<u>95,497</u>	<u>2,648,393</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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

14. Tangible assets *(continued)*

Tangible assets held at valuation

The fair value of the company's Freehold property was revalued on 19 November 2015 by an independent valuer at £2,050,000.

The revaluation was completed by Alder King LLP, an independent valuer. The basis of valuation was at open market value with vacant possession.

Had this class of asset been measured on a historical cost basis, their carrying amount would have been £1,484,718.

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 2017	
Aggregate cost	1,484,718
Aggregate depreciation	—
Carrying value	<u>1,484,718</u>
At 31 December 2016	
Aggregate cost	1,484,718
Aggregate depreciation	—
Carrying value	<u>1,484,718</u>

15. Investments

	Shares in group undertakings £
Cost	
At 1 January 2017 and 31 December 2017	<u>3</u>
Impairment	
At 1 January 2017 and 31 December 2017	<u>—</u>
Carrying amount	
At 31 December 2017	<u>3</u>
At 31 December 2016	<u>3</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

15. Investments *(continued)*

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.

16. Stocks

	2017 £	2016 £
Raw materials and consumables	<u>460,302</u>	<u>446,311</u>

The costs of stocks recognised as an expense in the year amounted to £3,438,078 (2016 £3,179,014). Stock totalling £460,302 (2016 £446,311) has been pledged as security for liabilities at the balance sheet date.

17. Debtors

	2017 £	2016 £
Trade debtors	99,337	49,948
Amounts owed by customers on construction contracts	242,839	251,404
Prepayments and accrued income	716,775	643,750
Corporation tax repayable	9,515	—
Other debtors	9,462	5,270
	<u>1,077,928</u>	<u>950,372</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

18. Creditors: amounts falling due within one year

	2017	2016
	£	£
Bank loans and overdrafts	51,621	46,888
Trade creditors	1,037,500	825,555
Accruals	261,799	171,041
Corporation tax	—	53,778
Social security and other taxes	305,073	300,658
Amounts owed to customers on construction contracts	2,241,925	1,817,335
Obligations under finance leases and hire purchase contracts	29,970	24,699
Other creditors	55,826	59,077
	<u>3,983,714</u>	<u>3,602,031</u>

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

	2017	2016
	£	£
Bank loans and overdrafts	808,544	864,898
Obligations under finance leases and hire purchase contracts	83,667	8,526
	<u>892,211</u>	<u>873,424</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.

20. Finance leases and hire purchase contracts

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

	2017	2016
	£	£
Not later than 1 year	29,970	24,699
Later than 1 year and not later than 5 years	83,667	8,526
	<u>113,637</u>	<u>33,225</u>

21. Provisions

	Warranties	Deferred tax (note 22)	Total
	£	£	£
At 1 January 2017	60,000	80,634	140,634
Additions	—	7,078	7,078
Unused amounts reversed	(21,000)	—	(21,000)
At 31 December 2017	<u>39,000</u>	<u>87,712</u>	<u>126,712</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

22. Deferred tax

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

	2017	2016
	£	£
Included in provisions (note 21)	<u>87,712</u>	<u>80,634</u>

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

	2017	2016
	£	£
Accelerated capital allowances	<u>87,712</u>	<u>80,634</u>

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £72,588 (2016: £72,970).

24. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2017	2016
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	99,337	49,948
Other debtors	9,462	5,270
Cash at bank and in hand	1,363,266	1,207,997
	<u>1,472,065</u>	<u>1,263,215</u>
Financial liabilities measured at amortised cost		
Bank loans	860,165	911,786
Trade creditors	1,037,500	825,555
Other creditors	55,826	59,077
Finance leases	113,637	33,225
Accruals	261,799	474,041
	<u>2,328,927</u>	<u>2,303,684</u>

25. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	133,499	133,499	140,525	140,525
Ordinary A shares of £1 each	7,026	7,026	—	—
	<u>140,525</u>	<u>140,525</u>	<u>140,525</u>	<u>140,525</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

25. Called up share capital *(continued)*

During the year 7026 ordinary shares were reclassified into ordinary A shares.

26. 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.

27. Analysis of changes in net debt

	At 1 Jan 2017	Cash flows	At 31 Dec 2017
	£	£	£
Cash at bank and in hand	1,207,997	155,269	1,363,266
Debt due within one year	(71,587)	(10,004)	(81,591)
Debt due after one year	(873,424)	(18,787)	(892,211)
	<u>262,986</u>	<u>126,478</u>	<u>389,464</u>

28. Reconciliation of net cash flow to movement in net debt

	2017	2016
	£	£
Increase in cash and cash equivalents in the year	155,269	50,818
Proceeds from borrowings	51,621	(453,442)
Payments of finance lease liabilities	(80,412)	32,886
Change in net funds	126,478	(369,738)
Net funds at 1 January 2017	262,986	632,724
Net funds at 31 December 2017	<u>389,464</u>	<u>262,986</u>

29. Operating leases

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

	2017	2016
	£	£
Not later than 1 year	94,999	111,809
Later than 1 year and not later than 5 years	126,727	255,083
	<u>221,726</u>	<u>366,892</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £103,340 (2016 £125,320)

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

30. Related party transactions

Key management personnel

All directors who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total compensation for the year totalled £269,782 (2016 £427,580).

Transactions with directors

The directors of the company received dividends totalling £84,761 during the year (2016 £101,178).