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COMPANY REGISTRATION NUMBER: 03045350

David Salisbury Joinery Limited
Financial Statements
31 December 2018



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 2018

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David Salisbury Joinery Limited

Officers and Professional Advisers

The board of directors

D Salisbury
W Kangurs
K Bell Hutt
P Clunie

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 2018

Principal Activity

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

2018 Trading Summary

The trading year for 2018 showed a significant improvement from 2017 with a profit before tax of £757k being reported compared to £1k in the previous year. The key drivers behind this improved performance were improved revenue, despite the uncertainty around Brexit and improved management and control of direct costs. The year benefitted from the strong order book being carried forward and the continuation of the improved margins that were achieved at the end of 2017.

Revenue in the year was £13.4m up 6% from 2017 aided by the high order book at the start of the year. The main revenue stream continues to be painted timber retail product, however, this was supported by increased revenue from our oak product range which was part of the 2018 growth strategy of £2.4m.

A key component in the 2018 performance was the improved gross margin of 32% compared to 25% reported in 2017. This margin increase was achieved through price increases, which the market seems able to bare, and tighter control over the direct cost base. We are pleased that this has been achieved without affecting the quality of our product or service, as evidenced by a higher rate of new business obtained through client recommendations.

Sales order intake was down 5% from the record £15.4m in 2017 to £14.6m in 2018. Order intake for the first six months of the year slowed, however, there was recovery in the second half of the year with a strong last quarter of £5.2m.

The strong financial performance during the year allowed significant investment of over £500k to be made in new plant and equipment that will improve the efficiency of the business going forward.

2019 Outlook

The biggest uncertainty facing the business remains what impact Brexit will have on consumer demand and commercial investment. Whilst there has been little impact to date on sales order intake, as the leave date gets closer the growing uncertainty of a deal/no deal may start to have an influence.

In order to develop the business, the strategy remains maintaining our core sales whilst continuing to drive further growth in the oak product range and developing the commercial arm of the business. The business is committed to providing high quality products backed by excellent designs and service.

The business is well placed to respond to the challenges that 2019 may bring. The high order book being taken into the year, the improved margins and strong cash position coupled with a skilled and committed workforce all give confidence for another successful and profitable year.

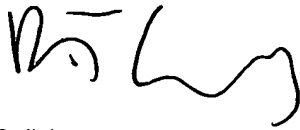
The Board would like to take this opportunity to thank all the employees for their continued support and commitment.

David Salisbury Joinery Limited

Strategic Report *(continued)*

Year ended 31 December 2018

This report was approved by the board of directors on 26/3/19 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 2018

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

Directors

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

D Salisbury
W Kangurs
K Bell Hutt
P Clunie

(Appointed 8 January 2018)

Dividends

Particulars of recommended dividends are detailed in note 12 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.

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 2018

This report was approved by the board of directors on 26/3/19 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 2018

Opinion

We have audited the financial statements of David Salisbury Joinery Limited (the 'company') for the year ended 31 December 2018 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 2018

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 2018

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.

David Salisbury Joinery Limited

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

Year ended 31 December 2018

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

26 March 2019

David Salisbury Joinery Limited

Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	13,276,350	12,561,029
Cost of sales		9,070,204	9,453,534
Gross profit		4,206,146	3,107,495
Distribution costs		1,406,270	1,266,818
Administrative expenses		2,000,458	1,808,849
Operating profit	5	799,418	31,828
Other interest receivable and similar income	9	2,601	979
Interest payable and similar expenses	10	44,649	32,087
Profit before taxation		757,370	720
Tax on profit	11	147,110	(3,471)
Profit for the financial year		610,260	4,191
Reclassification from revaluation reserve to profit and loss account		—	50,000
Total comprehensive income for the year		610,260	54,191

All the activities of the company are from continuing operations.

The notes on pages 14 to 29 form part of these financial statements.


David Salisbury Joinery Limited

Statement of Financial Position

31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	14	3,021,812	2,737,200
Investments	15	3	3
		<u>3,021,815</u>	<u>2,737,203</u>
Current assets			
Stocks	16	458,584	460,302
Debtors	17	1,377,091	1,077,928
Cash at bank and in hand		1,799,121	1,363,266
		<u>3,634,796</u>	<u>2,901,496</u>
Creditors: amounts falling due within one year	18	4,415,553	3,983,714
Net current liabilities		<u>780,757</u>	<u>1,082,218</u>
Total assets less current liabilities		2,241,058	1,654,985
Creditors: amounts falling due after more than one year	19	1,010,664	892,211
Provisions	21	143,556	126,712
Net assets		<u>1,086,838</u>	<u>636,062</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	870,988	420,212
Shareholders funds		<u>1,086,838</u>	<u>636,062</u>

These financial statements were approved by the board of directors and authorised for issue on 26/3/19, and are signed on behalf of the board by:


D Salisbury
Director

Company registration number: 03045350

The notes on pages 14 to 29 form part of these financial statements.

David Salisbury Joinery Limited

Statement of Changes in Equity

Year ended 31 December 2018

		Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2017		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
Dividends paid and payable	12	—	—	—	(84,761)	(84,761)
Total investments by and distributions to owners		—	—	—	(84,761)	(84,761)
At 31 December 2017		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		<u>140,525</u>	<u>14,850</u>	<u>60,475</u>	<u>870,988</u>	<u>1,086,838</u>

The notes on pages 14 to 29 form part of these financial statements.

David Salisbury Joinery Limited

Statement of Cash Flows

Year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	610,260	4,191
<i>Adjustments for:</i>		
Depreciation of tangible assets	208,998	180,707
Amortisation of intangible assets	—	29,645
Other interest receivable and similar income	(2,601)	(979)
Interest payable and similar expenses	44,649	32,087
Loss on disposal of tangible assets	3,485	2,663
Tax on profit	147,110	(3,471)
Accrued expenses/(income)	46,904	(212,242)
<i>Changes in:</i>		
Stocks	1,718	(13,991)
Trade and other debtors	(299,163)	(127,556)
Trade and other creditors	209,144	637,699
Provisions and employee benefits	—	(21,000)
Cash generated from operations	970,504	507,753
Interest paid	(44,649)	(32,087)
Interest received	2,601	979
Tax paid	—	(43,229)
Net cash from operating activities	<u>928,456</u>	<u>433,416</u>
Cash flows from investing activities		
Purchase of tangible assets	(511,679)	(222,885)
Proceeds from sale of tangible assets	14,584	708
Net cash used in investing activities	<u>(497,095)</u>	<u>(222,177)</u>
Cash flows from financing activities		
Proceeds from borrowings	(52,622)	(51,621)
Payments of finance lease liabilities	216,600	80,412
Dividends paid	(159,484)	(84,761)
Net cash from/(used in) financing activities	<u>4,494</u>	<u>(55,970)</u>
Net increase in cash and cash equivalents	435,855	155,269
Cash and cash equivalents at beginning of year	1,363,266	1,207,997
Cash and cash equivalents at end of year	<u>1,799,121</u>	<u>1,363,266</u>

The notes on pages 14 to 29 form part of these financial statements.

David Salisbury Joinery Limited

Notes to the Financial Statements

Year ended 31 December 2018

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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

(c) 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;

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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

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.

(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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

(g) Intangible assets

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

(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.

Freehold property is carried at fair value in line with external professional valuations or estimates provided by the directors.

(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

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

(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.

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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Construction contracts *(continued)*

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.

(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.

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

(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.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Construction contracts	<u>13,276,350</u>	<u>12,561,029</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:

	2018 £	2017 £
United Kingdom	13,235,080	12,448,868
Overseas	<u>41,270</u>	<u>112,161</u>
	<u>13,276,350</u>	<u>12,561,029</u>

5. Operating profit

Operating profit or loss is stated after charging:

	2018 £	2017 £
Amortisation of intangible assets	–	29,645
Depreciation of tangible assets	208,998	180,708
Loss on disposal of tangible assets	<u>3,485</u>	<u>2,563</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	<u>13,234</u>	<u>10,620</u>

7. Staff costs

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

	2018	2017
	No.	No.
Production staff	91	89
Administrative staff	11	10
Sales, marketing and distribution staff	32	31
	<u>134</u>	<u>130</u>

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

	2018	2017
	£	£
Wages and salaries	3,767,545	3,495,015
Social security costs	346,074	338,481
Other pension costs	91,606	72,588
	<u>4,205,225</u>	<u>3,906,084</u>

8. Directors' remuneration

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

	2018	2017
	£	£
Remuneration	397,413	266,582
Company contributions to defined contribution pension plans	5,635	3,200
	<u>403,048</u>	<u>269,782</u>

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

	2018	2017
	No.	No.
Defined contribution plans	<u>3</u>	<u>3</u>

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

	2018	2017
	£	£
Aggregate remuneration	139,350	108,191
Company contributions to defined contribution pension plans	2,187	1,600
	<u>141,537</u>	<u>109,791</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

9. Other interest receivable and similar income

	2018	2017
	£	£
Interest on bank deposits	<u>2,601</u>	<u>979</u>

10. Interest payable and similar expenses

	2018	2017
	£	£
Interest on banks loans and overdrafts	31,858	28,080
Interest on obligations under finance leases and hire purchase contracts	<u>12,791</u>	<u>4,007</u>
	<u>44,649</u>	<u>32,087</u>

11. Tax on profit

Major components of tax expense/(income)

	2018	2017
	£	£
Current tax:		
UK current tax expense/(income)	130,266	(9,515)
Adjustments in respect of prior periods	<u>—</u>	<u>(1,034)</u>
Total current tax	<u>130,266</u>	<u>(10,549)</u>
Deferred tax:		
Origination and reversal of timing differences	<u>16,844</u>	<u>7,078</u>
Tax on profit	<u>147,110</u>	<u>(3,471)</u>

Reconciliation of tax expense/(income)

The tax assessed on the profit on ordinary activities for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19%).

	2018	2017
	£	£
Profit on ordinary activities before taxation	<u>757,370</u>	<u>720</u>
Profit on ordinary activities by rate of tax	143,900	137
Adjustment to tax charge in respect of prior periods	<u>—</u>	<u>(1,034)</u>
Effect of expenses not deductible for tax purposes	1,402	795
Effect of capital allowances and depreciation	(15,036)	(5,980)
Deferred tax expense (credit) from unrecognised tax loss or credit	16,844	7,078
Tax increase (decrease) from short-term timing differences	<u>—</u>	<u>(4,467)</u>
Tax on profit	<u>147,110</u>	<u>(3,471)</u>

David Salisbury Joinery Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2018

12. Dividends

	2018 £	2017 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>159,484</u>	<u>84,761</u>

13. Intangible assets

	Goodwill £	Website development costs £	Research and development costs £	Licences costs £	Total £
Cost					
At 1 January 2018 and 31 December 2018	<u>263,885</u>	<u>88,308</u>	<u>281,323</u>	<u>31,907</u>	<u>665,423</u>
Amortisation					
At 1 January 2018 and 31 December 2018	<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 2018	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2017	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

14. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2018	2,100,000	2,776,041	592,611	248,071	5,716,723
Additions	—	410,388	40,801	60,490	511,679
Disposals	—	(5,750)	(3,689)	(47,376)	(56,815)
At 31 December 2018	<u>2,100,000</u>	<u>3,180,679</u>	<u>629,723</u>	<u>261,185</u>	<u>6,171,587</u>
Depreciation					
At 1 January 2018	15,000	2,456,354	364,285	143,884	2,979,523
Charge for the year	15,000	93,914	65,527	34,557	208,998
Disposals	—	(5,750)	(3,689)	(29,307)	(38,746)
At 31 December 2018	<u>30,000</u>	<u>2,544,518</u>	<u>426,123</u>	<u>149,134</u>	<u>3,149,775</u>
Carrying amount					
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>
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>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

14. Tangible assets *(continued)*

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.

Tangible assets held at valuation

The fair value of the company's Freehold property was valued on 31 December 2018 by the director at £2,100,000.

The basis of valuation was at open market value with vacant possession.

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 2018	
Aggregate cost	1,484,718
Aggregate depreciation	(19,388)
Carrying value	<u>1,465,330</u>
At 31 December 2017	
Aggregate cost	1,484,718
Aggregate depreciation	(9,694)
Carrying value	<u>1,475,024</u>

15. Investments

	Shares in group undertaking s £
Cost	
At 1 January 2018 and 31 December 2018	<u>3</u>
Impairment	
At 1 January 2018 and 31 December 2018	<u>—</u>
Carrying amount	
At 31 December 2018	<u>3</u>
At 31 December 2017	<u>3</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

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

	2018 £	2017 £
Raw materials and consumables	<u>458,584</u>	<u>460,302</u>

The costs of stocks recognised as an expense in the year amounted to £3,603,669 (2017 £3,421,723). Stock totalling £458,584 (2017 £460,302) has been pledged as security for liabilities at the balance sheet date.

17. Debtors

	2018 £	2017 £
Trade debtors	29,673	99,337
Amounts owed by customers on construction contracts	454,442	242,839
Prepayments and accrued income	887,712	716,775
Corporation tax repayable	—	9,515
Other debtors	5,264	9,462
	<u>1,377,091</u>	<u>1,077,928</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

18. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	52,622	51,621
Trade creditors	1,042,854	1,037,500
Accruals	308,703	261,799
Corporation tax	130,266	–
Social security and other taxes	382,369	305,073
Amounts owed to customers on construction contracts	2,355,618	2,241,925
Obligations under finance leases and hire purchase contracts	74,494	29,970
Other creditors	68,627	55,826
	<u>4,415,553</u>	<u>3,983,714</u>

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

	2018	2017
	£	£
Bank loans and overdrafts	754,921	808,544
Obligations under finance leases and hire purchase contracts	255,743	83,667
	<u>1,010,664</u>	<u>892,211</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:

	2018	2017
	£	£
Not later than 1 year	74,494	29,970
Later than 1 year and not later than 5 years	255,743	83,667
	<u>330,237</u>	<u>113,637</u>

21. Provisions

	Warranties	Deferred tax (note 22)	Total
	£	£	£
At 1 January 2018	39,000	87,712	126,712
Additions	–	16,844	16,844
At 31 December 2018	<u>39,000</u>	<u>104,556</u>	<u>143,556</u>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

22. Deferred tax

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

	2018	2017
	£	£
Included in provisions (note 21)	104,556	87,712

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

	2018	2017
	£	£
Accelerated capital allowances	104,556	87,712

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £91,606 (2017: £72,588).

24. Financial instruments

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

	2018	2017
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	29,673	99,337
Other debtors	5,264	9,462
Cash at bank and in hand	1,799,121	1,363,266
	<u>1,834,058</u>	<u>1,472,065</u>
Financial liabilities measured at amortised cost		
Bank loans	807,543	860,165
Trade creditors	1,042,854	1,037,500
Other creditors	68,627	55,826
Finance leases	330,237	113,637
Accruals	308,703	261,799
	<u>2,557,964</u>	<u>2,328,927</u>

25. Called up share capital

Issued, called up and fully paid

	2018		2017	
	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>

David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

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 2018 £	Cash flows £	At 31 Dec 2018 £
Cash at bank and in hand	1,363,266	435,855	1,799,121
Debt due within one year	(81,591)	(45,525)	(127,116)
Debt due after one year	(892,211)	(118,453)	(1,010,664)
	<u>389,464</u>	<u>271,877</u>	<u>661,341</u>

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

	2018 £	2017 £
Increase in cash and cash equivalents in the year	435,855	155,269
Proceeds from borrowings	52,622	51,621
Payments of finance lease liabilities	(216,600)	(80,412)
Change in net funds	271,877	126,478
Net funds at 1 January 2018	389,464	262,986
Net funds at 31 December 2018	<u>661,341</u>	<u>389,464</u>

29. Operating leases

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

	2018 £	2017 £
Not later than 1 year	84,654	94,999
Later than 1 year and not later than 5 years	71,472	126,727
	<u>156,126</u>	<u>221,726</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £109,186 (2017 £102,340)



David Salisbury Joinery Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

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 £402,049 (2017 £269,782).

Transactions with directors

The directors of the company received dividends totalling £99,484 during the year (2017 £84,761).