Company Registration No. 05873694

SURESTOP LIMITED

Report and Financial Statements

31 December 2019

SURESTOP LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENT | **Page**

SURESTOP LIMITED

STRATEGIC REPORT

The Directors present the Company's Strategic Report for the year ended 31 December 2019.

The Company's strategy remains the continued development of its unique, patented range of devices, operated by water pressure, designed to conveniently switch off the mains water supply in properties when leaving a property vacant for a period of time or in the event of a leak, avoiding the risk of water damage. Investment in processes and efficiency initiatives will continue with the objective of improving margins.

Review of the business

Turnover reduced marginally to £2,115,000 (2018: £2,125,000) for the year ended 31 December 2019. Operating profit decreased by £198,000 to £667,000 (2018: £865,000), as a result of increasing material and overhead costs.

Capital expenditure during the year was £108,000 (2018: £35,000).

The Directors are satisfied with the performance of the Company for the year and with the future prospects. The Company will continue to seek every opportunity to increase profitable turnover.

Key performance indicators

The key performance indicators used by the Board to assess performance of the Company are set out in the table below:

KPI	2019	2018
Revenue growth / (decline)	(0.5) %	(3.5%)
Operating profit to turnover	31.5%	40.7%
Profit on ordinary activities before taxation	£677,000	£880,000

Principal risks and uncertainties

There are certain risks and uncertainties within the Company that may affect the Company's future performance as follows:

Business disruption - The Company's manufacturing and distribution operations could be subjected to disruption due to incidents including, but not limited to, fire, failure of equipment, power outages, workforce strikes, or unexpected or prolonged periods of severe weather.

Economic conditions - The Company is dependent on the level of activity in the UK DIY market and is therefore susceptible to any changes in its cyclical economic conditions.

Credit risk – The risk that a counterparty of the Company will not be able to meet its obligations under a financial instrument or customer contract. The Company is exposed to credit risk from its trading activities (primarily from trade receivables) and from its financing activities, including deposits with banks.

Liquidity risk – The risk that the Company will not be able to meets its financial obligations as they fall due.

Brexit - The Directors have considered the potential impacts of Brexit scenarios on the Company and its activities and have concluded that there is no direct material risk to the business due to the nature of the Company's operations.

COVID-19 - In recent months, the outbreak of the Coronavirus (COVID-19), which began in China and rapidly spread through the population and is now in over 100 countries, has resulted in a substantial number of fatalities and limited movement of people with a consequential impact on the global economy. The Directors have been closely monitoring the impact of the pandemic on the Company and have concluded that there is no impact on the recoverability of assets recognised on the balance sheet, or the Company's ability to continue as a going concern.

Approved by the Board and signed on its behalf by:

E Versluys

E G Versluys
Secretary
29 September 2020

SURESTOP LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2019.

Directors

The Directors who held office during the year and up to the date of signing the financial statements, with all exceptions noted, were as follows:

M K Payne
P A James

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Proposed dividend

The Directors do not recommend the payment of a dividend (2018: £nil).

Future developments and outlook

No change in the Company's strategy is anticipated in the foreseeable future.

The Directors are mindful of the risks to the overall pace and sustainability of the economic recovery following the impact of COVID-19. They are, however, encouraged by the trading performance so far and are confident in the Company's position as markets continue to recover.

The medium-term fundamentals in our markets remain as strong as ever with the ongoing structural housing shortage driving demand and Government investment in infrastructure in a post COVID-19 world. The macroeconomic situation still remains uncertain though, with rising unemployment likely to have some impact on our markets into 2021.

Whilst we remain vigilant to the short-term risks of further COVID-19 waves and the impacts of leaving the EU, the Directors are confident that the Company is well-positioned for the future.

Employees

The Company is committed to providing the appropriate skills and technical training that allow employees to operate effectively and safely in their roles and deliver excellent customer service. As part of our ongoing commitment to excellence, we continue to offer all front-line service personnel accredited training focusing on employee engagement, business relations and customer satisfaction.

The Company involves employees through formal and informal systems of communication and consultation including suggestion schemes and works council forums. Each of the Company's main operating sites have display boards which set out the Company's continuous improvement strategy and include KPIs updated each month on areas relevant to the Company's strategy, such as health and safety performance, products and process improvement initiatives, and customer satisfaction performance.

While the Company does not have a specific human rights policy, it is a subsidiary of Polypipe Group plc which does have an Anti-Slavery policy and a Modern Slavery Act Transparency statement available on its website, within which the zero-tolerance policy towards modern slavery or human trafficking rights violations are stated.

The Company gives every consideration to applicants for employment regardless of their sex, sexual orientation, religion, colour, race, nationality, marital status or disability having regard for their aptitude and ability to adequately perform the role while maintaining a safe working environment. Where employees become disabled, the Company makes appropriate and reasonable adjustments to their work environment and/or duties, endeavouring to maintain their employment provided there are duties they can perform.

Environment

The Company aims to minimise the lasting impact of operations on the environment, and sustainability is a key feature of our products and their impact on the environment. The Directors continued aim is to comply with all applicable legislation.

Disclosure of information to auditors

Each of the Directors has confirmed that as at the date of this report:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern

The Company continues to meet its day-to-day working capital and other funding requirements through a combination of cash generated from operations, cash deposits and long-term funding from the Group as required.

As part of the going concern assessment, forecasts extending beyond 12 months from the date of this report have been prepared and reviewed by the Directors. These forecasts reflect the current expectations of trading conditions and support the adoption of the going concern assumption.

At the date of approval of these financial statements the Group's bank financing facilities consists of a £300m RCF, with an extended committed COVID-19 facility of £50m, leaving the Group with £350m of committed revolving credit facilities for the period to May 2021 and £300m for the period from May 2021 to November 2023.

The Directors have performed an assessment of the impact of plausible downside scenarios including the potential impact of COVID-19 on future covenant compliance and liquidity available to the wider Group. None of the plausible scenarios considered resulted in a forecast covenant breach or liquidity shortfall.

DIRECTORS' REPORT

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future and for a period of at least twelve months from the date of this report. Accordingly, the Directors continue to adopt and consider appropriate the going concern basis in preparing these financial statements.

Auditor

A resolution to re-appoint Ernst & Young LLP as the Company's external auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

E G Versluys
E G Versluys
Secretary
29 September 2020

SURESTOP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

UK 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 UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

- present fairly the financial position and financial performance of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURESTOP LIMITED

Opinion

We have audited the financial statements of Surestop Limited for the year ended 31 December 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related Notes 1 to 17, 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 101 "Reduced Disclosure Framework (FRS 101), "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 Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 2.2 & 17 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

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 this 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 the 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 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 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Ernst & Young LLP.

Christabel Cowling (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds, UK
29 September 2020

SURESTOP LIMITED

INCOME STATEMENT
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover		**2,115**	2,125
Cost of sales		**(538)**	(508)
Gross profit		**1,577**	1,617
Distribution costs		**(27)**	(29)
Administration expenses		**(883)**	(723)
Operating profit	*4*	**667**	865
Profit on disposal of fixed assets		**6**	15
Profit on ordinary activities before interest and taxation		**673**	880
Interest receivable and similar income	*7*	**4**	-
Profit on ordinary activities before taxation		**677**	880
Tax on profit on ordinary activities	*8*	**2**	(2)
Profit for the year	*15*	**679**	878

All results are derived from continuing operations.

There was no other comprehensive income or expense in the periods presented, therefore no statement of comprehensive income has been prepared. Total comprehensive income is equal to the profit for the year in the periods presented.

SURESTOP LIMITED

BALANCE SHEET
At 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Tangible assets	*9*	**642**	616
Intangible assets	*10*	**45**	40
Total non-current assets		**687**	656
Current assets			
Stocks	*11*	**338**	227
Debtors	*12*	**3,628**	3,623
Cash and cash equivalents		**1,150**	616
		5,116	4,466
Creditors: amounts falling due within one year	*13*	**(258)**	(256)
Net current assets		**4,858**	4,210
Total assets less current liabilities		**5,545**	4,866
Net assets		**5,545**	4,866
Capital and reserves			
Share capital	*14*	**55**	55
Share premium reserve	*15*	**3**	3
Retained earnings	*15*	**5,487**	4,808
Total equity	*15*	**5.545**	4,866

These financial statements were approved for issue by the Board of Directors and signed on its behalf by:

P A James
Director
29 September 2020

Company Registration No. 05873694

The accompanying Notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Share premium reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2018	**55**	**3**	**3,930**	**3,988**
Profit for the year	-	-	878	**878**
Total comprehensive income for the year	-	-	**878**	**878**
At 31 December 2018	**55**	**3**	**4,808**	**4,866**
Profit for the year	-	-	679	**679**
Total comprehensive income for the year	-	-	**679**	**679**
At 31 December 2019	**55**	**3**	**5,487**	**5,545**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. Authorisation of financial statements

The financial statements of Surestop Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 29 September 2020 and the balance sheet was signed on the Board's behalf by P A James.

Surestop Limited is a private company limited by shares incorporated and domiciled in England and Wales. The Registered Office of the Company is Broomhouse Lane, Edlington, Doncaster, South Yorkshire, DN12 1ES.

2. Accounting policies

2.1 Basis of preparation

The financial statements of Surestop Limited have been prepared in accordance with FRS 101 and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The financial statements are prepared in Pounds Sterling and are rounded to one thousand pounds (£'000) unless otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, and paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Error; and
- the requirements of IFRS 15 Revenue from Contracts with Customers and in particular paragraphs 110, 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129.

2.2 Going concern

The Company continues to meet its day-to-day working capital and other funding requirements through a combination of cash generated from operations, cash deposits and long-term funding from the Group as required.

As part of the going concern assessment, forecasts extending beyond 12 months from the date of this report have been prepared and reviewed by the Directors. These forecasts reflect the current expectations of trading conditions and support the adoption of the going concern assumption.

At the date of approval of these financial statements the Group's bank financing facilities consists of a £300m RCF, with an extended committed COVID-19 facility of £50m, leaving the Group with £350m of committed revolving credit facilities for the period to May 2021 and £300m for the period from May 2021 to November 2023.

The Directors have performed an assessment of the impact of plausible downside scenarios including the potential impact of COVID-19 on future covenant compliance and liquidity available to the wider Group. None of the plausible scenarios considered resulted in a forecast covenant breach or liquidity shortfall.

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future and for a period of at least twelve months from the date of this report. Accordingly, the Directors continue to adopt and consider appropriate the going concern basis in preparing these financial statements.

2.3 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods transfers to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods.

Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Our most commonly used standard payment terms are 30 days net end of month.

2.4 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on income tax rates and laws that are enacted or substantively enacted by the balance sheet date.

2.4 Income taxes (continued)

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same tax authority and that authority permits the Company to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the income tax rates that are expected to apply when the asset is realised or the liability is settled, based on income tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of tangible fixed assets, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected economic life not exceeding 50 years
Plant and other equipment	4 to 10 years

The carrying amounts of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end and where adjustments are required these are made prospectively.

Tangible fixed assets and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any profit or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.6 Intangible assets and amortisation

Intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised on a straight-line basis over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation of intangible assets is provided over the following expected useful lives:

Patents	10 years

Research and Development costs

Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

At the balance sheet date, no development costs have met the above criteria.

2.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debtors that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at FVTPL, transaction costs. Trade debtors that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include cash and cash equivalents, trade debtors and amounts owed by group undertakings.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. The Company does not currently hold any fair value through other comprehensive income financial assets.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents, trade debtors and amounts owed by group undertakings.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade debtors, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each balance sheet date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.7 Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading unless they are designated as effective hedging instruments. Profits or losses on liabilities held for trading are recognised in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials - purchase cost on a first-in, first-out basis.
- Finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

2.9 Pensions

The Company operates a defined contribution pension plan. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Company in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. New and amended standards and interpretations

Standards which have been adopted in the year

The following standards have been adopted in the year:

IFRS 16	Leases	Effective date – 1 January 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	Effective date – 1 January 2019

IFRS 16, Leases

The Company adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. The Company does not have any leases that fall within the definition of finance leases.

IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, Income Taxes. Upon adoption of the Interpretation, the Company considered whether it had any uncertain tax positions and concluded that any challenge by the tax authorities is unlikely to have a material impact on the Company.

Standards issued but not yet effective

There were no standards or interpretations issued which have an effective date after the date of these financial statements that the Company reasonably expects to have an impact on disclosures, financial position or performance.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

4. Operating profit

This is stated after charging:

	2019	2018
	£'000	£'000
Depreciation	81	66
Amortisation of intangible assets	12	11

5. Auditor's remuneration

The Company paid the following amounts to the Company's auditor in respect of the audit of the financial statements.

	2019	2018
	£'000	£'000
Audit of the Company's annual financial statements	15	15

The Company has taken the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group consolidated financial statements of its ultimate parent Polypipe Group plc.

6. Staff costs and Directors' remuneration

Staff costs for the year were:

	2019	2018
	£'000	£'000
Wages and salaries	530	555
Social security costs	87	71
	617	626

The average number of persons employed by the Company during the year, by category, was as follows:

	2019	2018
	No.	No.
Production	5	5
Selling and distribution	8	7
Administration	4	4
	17	16

Directors' remuneration

The remuneration of two of the Directors who served during the year was paid by the ultimate parent Polypipe Group plc. These Directors are also Directors of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, their total remuneration is included in the aggregate of Directors' remuneration disclosed in the consolidated financial statements of the ultimate parent company.

7. Interest receivable and similar income

	2019	2018
	£'000	£'000
Bank interest receivable	4	-

8. Income taxes

(a) Tax (credited) / charged in the income statement

	2019 £'000	2018 £'000
Current income tax:		
UK income tax	-	-
Adjustment in respect of prior years	-	-
Total current income tax	-	-
Deferred income tax:		
Current year	(6)	2
Effect of changes in income tax rates	1	-
Adjustments in respect of prior years	3	-
Total deferred income tax	(2)	2
Total tax (credit) / charge reported in the income statement	(2)	2

(b) Reconciliation of the total tax (credit) / charge

A reconciliation between income tax in the income statement and the product of accounting profit multiplied by the UK's standard income tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019 £'000	2018 £'000
Accounting profit for the year	677	880
Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2018: 19.0%)	129	167
Expenses not deductible for income tax	8	1
Effects of patent box	(59)	(69)
Adjustments in respect of prior years	3	-
Group relief at nil consideration	(84)	(97)
Effects of other tax rates / credits	1	-
Total tax (credit) / charge reported in the income statement	(2)	2

(c) Deferred income tax

The deferred income tax included in the Company balance sheet is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Deferred income tax asset	14	12

The Company offsets income tax assets and liabilities if and only if it has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority.

(d) Change in corporation tax rate

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 19%, which was applied from 1 April 2017, to 17% from 1 April 2020. The reduction in the corporation tax rate to 17% was included within the UK Finance Act 2016 that was enacted in September 2016.

Deferred income tax is measured at income tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on income tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax has therefore been provided at 17% (2018: 17%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

9. Tangible assets

	Freehold land and buildings	Plant and other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	420	711	1,131
Additions	-	108	108
Disposals	-	(16)	(16)
At 31 December 2019	420	803	1,223
Depreciation			
At 1 January 2019	37	478	515
Provided during the year	5	76	81
Disposals	-	(15)	(15)
At 31 December 2019	42	539	581
Net book value:			
At 31 December 2019	**378**	**264**	**642**
At 1 January 2019	383	233	616

10. Intangible assets

	Patents £'000
Cost	
At 1 January 2019	75
Additions	17
At 31 December 2019	92
Amortisation	
At 1 January 2019	35
Amortisation	12
At 31 December 2019	47
Net book value:	
At 31 December 2019	**45**
At 1 January 2019	40

11. Stocks

	31 December 2019	31 December 2018
	£'000	£'000
Raw materials	**250**	176
Finished goods	**88**	51
	338	227

All stocks are carried at cost less a provision to take account of slow moving and obsolete items. There was no stock provision at 31 December 2019 (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

12. Debtors

	31 December 2019 £'000	31 December 2018 £'000
Trade debtors	**268**	280
Prepayments	**25**	21
Deferred income tax (Note 8)	**14**	12
Amounts owed by group undertakings	**3,321**	3,310
	3,628	3,623

Trade debtors are non-interest bearing and are generally settled on 30 days' credit.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13. Creditors: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Trade creditors	**118**	154
Taxation and social security	**77**	88
Accruals and deferred income	**63**	14
	258	256

Trade creditors are non-interest bearing and generally settled on 30 to 60 day terms.

14. Share capital

Authorised share capital:

	31 December 2019		31 December 2018	
	Number*	£'000	Number*	£'000
Ordinary A shares of £1 each	**50**	**50**	50	50
Ordinary B shares of £1 each	**5**	**5**	5	5
		55		55

Allotted, called up and fully paid:

	31 December 2019		31 December 2018	
	Number*	£'000	Number*	£'000
Ordinary A shares of £1 each	**50**	**50**	50	50
Ordinary B shares of £1 each	**5**	**5**	5	5
		55		55

** Thousands of shares*

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

15. Reserves

	Share premium reserve £'000	Retained earnings £'000
At 1 January 2019	3	4,808
Profit for the year	-	679
At 31 December 2019	**3**	**5,487**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

16. Parent company and ultimate parent company

The Company's immediate parent company is Polypipe Limited, a company incorporated in England and Wales. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Polypipe Group plc. Copies of Polypipe Group plc's consolidated financial statements can be obtained from the Registrar of Companies, Companies House, 3 Crown Way, Cardiff, CF14 3UZ.

17. Post balance sheet events

In recent months, the outbreak of the Coronavirus (COVID-19), which began in China and rapidly spread through the population and is now in over 100 countries, has resulted in a substantial number of fatalities and limited movement of people with a consequential impact on the global economy.

In the middle of March 2020, we took the decision to wind down our operations across the Group to that which was absolutely necessary for new orders relating to COVID-19 and for broader support in the economy. From April to August 2020 a significant proportion of the workforce was furloughed, reflecting a reduction in volumes. Management has been closely monitoring the impact of the pandemic on the Company and has taken appropriate action to mitigate the impact.