Company Registration No. SC029454 (Scotland)

David Ritchie (Implements) Limited

Annual report and consolidated financial statements

for the year ended 31 May 2019

David Ritchie (Implements) Limited

Company information

Directors	R Ritchie AI Agr E D Ritchie FFA Dr AR Edwards
Secretary	D Ritchie FFA
Company number	SC029454
Registered office	Carseview Road Suttieside Forfar DD8 3BT
Auditor	MHA Henderson Loggie The Vision Building 20 Greenmarket Dundee DD1 4QB

David Ritchie (Implements) Limited

Contents

David Ritchie (Implements) Limited

Strategic report

for the year ended 31 May 2019

The directors present the strategic report for the year ended 31 May 2019.

Fair review of the business

The business consolidated performance levels over the year, albeit with a 1.5% reduction in gross margin percentage and a marginally reduced operating profit. The business has now fully recovered from the market led losses suffered during 2015/16.

Liquidity and net worth strengthened satisfactorily.

The directors remain conscious of the vagaries of our markets and global political uncertainties and predict a more challenging environment next year.

Principal risks and uncertainties

The principal risks and uncertainties affecting the group include the following:

- the loss of, and changes to, existing markets and the time to develop new strategies - the group operates in a highly competitive market but continues to develop new products and markets to compensate.
- increased commodity prices - the group has continued to see an increase in most material costs during the year but such costs are monitored and regular reviews in terms of sales pricing are performed.
- credit risk - the group maintains strong relationships with customers and has established contractual terms and credit control procedures, as well as processes for dispute resolution, to minimise the risk relating to non-payment by customers.
- unfavourable exchange rates - although the functional currency for the group is GBP, it is exposed to other currencies as part of its trading. The position is regularly reviewed by the directors and senior management and, from time to time, the group makes use of forward currency contracts.
- interest and liquidity - the group has current and non-current liabilities and is exposed to interest risks on the interest-bearing elements of those liabilities. Borrowing arrangements are in place and the group maintains regular, open dialogue with the finance provider to ensure that the required support is available to allow the group to deliver the performance budgeted for the next 12 months.
- legislative and regulatory - the group monitors current and forthcoming legislation and seeks advice from professional advisors where appropriate.

Development and performance

The directors continue to recognise the need for investment and will maintain such investment in staff, equipment, training and infrastructure necessary to support the viability and growth of the Group.

Key performance indicators

The directors rely upon a number of financial KPIs and, as a result of the improved trading conditions, turnover increased by 1% and gross margin % was broadly held despite increased cost pressures.

	2019	2018
Turnover	£14,213,274	£14,040,948
Gross margin %	24%	26%
Operating profit/(loss)	£907,150	£948,651

Other financial KPIs such as wage costs and overheads are analysed on a regular basis.

Other performance indicators

In assessing business performance, the directors also monitor a number of non-financial measurements, including customer and supplier service levels, distribution efficiency, staff turnover and absence, and health and safety reports.

By order of the board

....

D Ritchie FFA

Secretary

6/2/20

David Ritchie (Implements) Limited

Directors' report

for the year ended 31 May 2019

The directors present their annual report and financial statements for the year ended 31 May 2019.

Principal activities
The principal activity of the company and group continued to be that of the design, manufacture, surface coating and marketing of a range of agricultural and industrial equipment and machinery.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Ritchie AI Agr E	
D Ritchie FFA	
C Roy	(Resigned 11 January 2019)
Dr AR Edwards	

Results and dividends
The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £41,450. The directors do not recommend payment of a further dividend.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Strategic Report
Included within the strategic report is an indication of the principal risks and uncertainties including the risks associated with the market conditions, competition, foreign currency risk, and legislative and compliance risks.

By order of the board

....
D Ritchie FFA
Secretary

Date: 6/2/20

David Ritchie (Implements) Limited

Directors' responsibilities statement

for the year ended 31 May 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the financial statements of David Ritchie (Implements) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 group's and the parent company's affairs as at 31 May 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 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 group's and the parent 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 group or the parent 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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.

MHA Henderson Loggie

Gavin Black (Senior Statutory Auditor)
for and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor

6/2/20

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

MHA Henderson Loggie is a trading name of Henderson Loggie LLP.

David Ritchie (Implements) Limited

Group statement of comprehensive income

for the year ended 31 May 2019

	Notes	2019 £	2018 £
Turnover	**3**	**14,213,274**	14,040,948
Cost of sales		**(10,742,035)**	(10,397,396)
Gross profit		**3,471,239**	3,643,552
Distribution costs		**(1,648,782)**	(1,730,017)
Administrative expenses		**(1,005,142)**	(1,029,740)
Other operating income		**89,835**	64,856
Operating profit	**4**	**907,150**	948,651
Share of results of joint venture	**14**	**22,830**	-
Interest receivable and similar income	**8**	**4,062**	742
Interest payable and similar expenses	**9**	**(45,159)**	(57,917)
Profit before taxation		**888,883**	891,476
Tax on profit	**10**	**(35,026)**	(83,372)
Profit for the financial year	**31**	**853,857**	808,104

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

The group statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

David Ritchie (Implements) Limited

Group Balance sheet

as at 31 May 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Goodwill	12		**(86,259)**		(100,635)
Tangible assets	13		**3,238,017**		3,227,446
Investments	14		**53,522**		30,692
			3,205,280		3,157,503
Current assets					
Stocks	18	**3,184,547**		2,818,671	
Debtors	19	**2,310,100**		3,306,224	
Cash at bank and in hand		**1,399,403**		573,464	
		6,894,050		6,698,359	
Creditors: amounts falling due within one year	20	**(2,145,050)**		(2,646,925)	
Net current assets			**4,749,000**		4,051,434
Total assets less current liabilities			**7,954,280**		7,208,937
Creditors: amounts falling due after more than one year	21		**(1,085,795)**		(1,177,217)
Provisions for liabilities	24		**(97,795)**		(73,437)
Net assets			**6,770,690**		5,958,283
Capital and reserves					
Called up share capital	27		**35,450**		35,450
Share premium account	28		**11,878**		11,878
Revaluation reserve	29		**34,727**		34,727
Capital redemption reserve	30		**9,650**		9,650
Profit and loss reserves	31		**6,678,985**		5,866,578
Total equity			**6,770,690**		5,958,283

The financial statements were approved by the board of directors and authorised for issue on 6/2/20 and are signed on its behalf by:

D Ritchie FFA
Director

David Ritchie (Implements) Limited

Company Balance sheet

as at 31 May 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	13		2,577,394		2,479,199
Investments	14		680,742		680,742
			3,258,136		3,159,941
Current assets					
Stocks	18	2,689,176		2,248,183	
Debtors	19	2,234,932		2,970,728	
Cash at bank and in hand		1,399,131		534,004	
		6,323,239		5,752,915	
Creditors: amounts falling due within one year	20	(1,899,656)		(2,023,465)	
Net current assets			4,423,583		3,729,450
Total assets less current liabilities			7,681,719		6,889,391
Creditors: amounts falling due after more than one year	21		(1,033,791)		(1,107,178)
Provisions for liabilities	24		(80,443)		(46,751)
Net assets			6,567,485		5,735,462
Capital and reserves					
Called up share capital	27		35,450		35,450
Share premium account	28		11,878		11,878
Revaluation reserve	29		34,727		34,727
Capital redemption reserve	30		9,650		9,650
Profit and loss reserves	31		6,475,780		5,643,757
Total equity			6,567,485		5,735,462

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £873,473 (2018 - £839,095 profit).

The financial statements were approved by the board of directors and authorised for issue on 6/2/20 and are signed on its behalf by:

D Ritchie FFA
Director

Company Registration No. SC029454

David Ritchie (Implements) Limited

Group statement of changes in equity

for the year ended 31 May 2019

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 June 2017		37,350	18,454	34,727	7,750	5,099,800	5,198,081
Year ended 31 May 2018:							
Profit and total comprehensive income for the year		-	-	-	-	808,104	808,104
Dividends	11	-	-	-	-	(15,000)	(15,000)
Redemption of shares		(1,900)	(6,576)	-	1,900	(26,326)	(32,902)
Balance at 31 May 2018		35,450	11,878	34,727	9,650	5,866,578	5,958,283
Year ended 31 May 2019:							
Profit and total comprehensive income for the year		-	-	-	-	**853,857**	**853,857**
Dividends	11	-	-	-	-	**(41,450)**	**(41,450)**
Balance at 31 May 2019		**35,450**	**11,878**	**34,727**	**9,650**	**6,678,985**	**6,770,690**

David Ritchie (Implements) Limited

Company statement of changes in equity

for the year ended 31 May 2019

	Notes	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
		£	£	£	£	£	£
Balance at 1 June 2017		37,350	18,454	34,727	7,750	4,845,988	4,944,269
Year ended 31 May 2018:							
Profit and total comprehensive income for the year		-	-	-	-	839,095	839,095
Dividends	**11**	-	-	-	-	(15,000)	(15,000)
Redemption of shares		(1,900)	(6,576)	-	1,900	(26,326)	(32,902)
Balance at 31 May 2018		35,450	11,878	34,727	9,650	5,643,757	5,735,462
Year ended 31 May 2019:							
Profit and total comprehensive income for the year		-	-	-	-	**873,473**	**873,473**
Dividends	**11**	-	-	-	-	**(41,450)**	**(41,450)**
Balance at 31 May 2019		**35,450**	**11,878**	**34,727**	**9,650**	**6,475,780**	**6,567,485**

David Ritchie (Implements) Limited

Group statement of cash flows

for the year ended 31 May 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	**35**		**1,498,148**		171,378
Interest paid			**(45,159)**		(57,917)
Income taxes paid			**(104,325)**		(11,136)
Net cash inflow from operating activities			**1,348,664**		102,325
Investing activities					
Purchase of tangible fixed assets		**(228,734)**		(30,636)	
Proceeds on disposal of tangible fixed assets		**34,822**		11,000	
Interest received		**4,062**		742	
Net cash used in investing activities			**(189,850)**		(18,894)
Financing activities					
Redemption of shares		**-**		(32,902)	
Repayment of borrowings		**-**		(3,057)	
Repayment of bank loans		**(67,588)**		(65,707)	
Payment of finance leases obligations		**(141,524)**		(144,669)	
Dividends paid to equity shareholders		**(41,450)**		(15,000)	
Net cash used in financing activities			**(250,562)**		(261,335)
Net increase/(decrease) in cash and cash equivalents			**908,252**		(177,904)
Cash and cash equivalents at beginning of year			**(79,027)**		98,877
Cash and cash equivalents at end of year			**829,225**		(79,027)
Relating to:					
Cash at bank and in hand			**1,399,403**		573,464
Bank overdrafts included in creditors payable within one year			**(570,178)**		(652,491)

David Ritchie (Implements) Limited

Company statement of cash flows

for the year ended 31 May 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	**36**		**1,302,002**		66,896
Interest paid			**(41,457)**		(41,514)
Income taxes paid			**(87,715)**		(1,269)
Net cash inflow from operating activities			**1,172,830**		24,113
Investing activities					
Purchase of tangible fixed assets		**(228,734)**		(27,499)	
Proceeds on disposal of tangible fixed assets		**28,080**		11,000	
Interest received		**4,062**		742	
Net cash used in investing activities			**(196,592)**		(15,757)
Financing activities					
Redemption of shares		**-**		(32,902)	
Repayment of borrowings		**-**		(3,057)	
Repayment of bank loans		**(37,493)**		(36,341)	
Payment of finance leases obligations		**(137,253)**		(134,419)	
Dividends paid to equity shareholders		**(41,450)**		(15,000)	
Net cash used in financing activities			**(216,196)**		(221,719)
Net increase/(decrease) in cash and cash equivalents			**760,042**		(213,363)
Cash and cash equivalents at beginning of year			**104,341**		317,704
Cash and cash equivalents at end of year			**864,383**		104,341
Relating to:					
Cash at bank and in hand			**1,399,131**		534,004
Bank overdrafts included in creditors payable within one year			**(534,748)**		(429,663)

1 Accounting policies

Company information
David Ritchie (Implements) Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Carseview Road, Forfar, DD8 3BT.

The group consists of David Ritchie (Implements) Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of David Ritchie (Implements) Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 May 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1 Accounting policies (continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Negative goodwill is the excess of the Group's share of the fair value of the attributable net identifiable assets at the date of acquisition over the purchase consideration in a business combination.

Negative goodwill that can be attributed to monetary assets is recognised as income when the assets are realised. The remaining portion of negative goodwill, not exceeding the fair value of acquired identifiable non-monetary assets, is recognised as income on a straight line basis over its expected useful life of 10 years.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% straight line
Plant and machinery	10% to 25% straight line
Fixtures, fittings & equipment	10% to 20% straight line
Motor vehicles	10% to 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies (continued)

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies (continued)

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1 Accounting policies (continued)

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 periods where the revision affects both current and future periods.

2 Judgements and key sources of estimation uncertainty (continued)

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.

Stock provisions
At the end of each financial year, the group makes a provision against obsolete or slow moving stock. Such provisions are calculated using a combination of actual current information and an element of estimation using historical data as a basis.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Principal activity	**14,213,274**	14,040,948

	2019	2018
	£	£
Other significant revenue		
Interest income	**4,062**	742
Grants received	**10,473**	24,376

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom and EEA	**14,213,274**	14,040,948

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	**(244)**	(223)
Government grants	**(10,473)**	(24,376)
Depreciation of owned tangible fixed assets	**228,040**	274,951
Depreciation of tangible fixed assets held under finance leases	**157,483**	138,820
Profit on disposal of tangible fixed assets	**(34,822)**	(11,000)
Amortisation of intangible assets	**(14,376)**	(14,376)
Cost of stocks recognised as an expense	**7,685,670**	7,607,649
Operating lease charges	**188,135**	165,273

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2019 £	2018 £
For audit services		
Audit of the financial statements of the group and company	**11,990**	11,640
Audit of the financial statements of the company's subsidiaries	**3,980**	3,865
	15,970	15,505

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Average number of employees	**131**	124	**111**	101

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	**3,351,547**	3,157,126	**2,926,900**	2,597,516
Social security costs	**301,726**	284,979	**272,434**	240,485
Pension costs	**153,877**	183,657	**139,657**	171,431
	3,807,150	3,625,762	**3,338,991**	3,009,432

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	**304,679**	290,629
Company pension contributions to defined contribution schemes	**40,693**	66,382
	345,372	357,011

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

7 Directors' remuneration (continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	**96,032**	88,005
Company pension contributions to defined contribution schemes	**9,001**	21,178

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	**4,062**	742

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	**4,062**	742

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	**22,656**	32,417
Other finance costs:		
Interest on finance leases and hire purchase contracts	**22,503**	25,500
Total finance costs	**45,159**	57,917

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	**98,347**	104,446
Adjustments in respect of prior periods	**(87,679)**	-
Total current tax	**10,668**	104,446
Deferred tax		
Origination and reversal of timing differences	**24,358**	(21,074)
Total tax charge	**35,026**	83,372

10 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	**888,883**	891,476
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	**168,888**	169,380
Tax effect of expenses that are not deductible in determining taxable profit	**5,602**	1,118
Tax effect of utilisation of tax losses not previously recognised	**(52,651)**	(102,379)
Adjustments in respect of prior years	**18,277**	-
Effect of change in corporation tax rate	**(2,866)**	2,479
Depreciation on assets not qualifying for tax allowances	**10,801**	15,505
Research and development tax credit	**(105,956)**	-
Goodwill amortisation	**(2,731)**	(2,731)
Share of results of joint venture	**(4,338)**	-
Taxation charge	**35,026**	83,372

11 Dividends

	2019 £	2018 £
Interim paid	**41,450**	15,000

12 Intangible fixed assets

Group	**Goodwill** **£**
Cost	
At 1 June 2018 and 31 May 2019	**(733,505)**
Amortisation and impairment	
At 1 June 2018	**(632,870)**
Amortisation charged for the year	**(14,376)**
At 31 May 2019	**(647,246)**
Carrying amount	
At 31 May 2019	**(86,259)**
At 31 May 2018	(100,635)

The company had no intangible fixed assets at 31 May 2019 or 31 May 2018.

13 Tangible fixed assets

Group	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2018	**3,769,585**	**5,074,046**	**25,883**	**139,364**	**9,008,878**
Additions	-	**396,094**	-	-	**396,094**
Disposals	-	**(115,394)**	-	-	**(115,394)**
At 31 May 2019	**3,769,585**	**5,354,746**	**25,883**	**139,364**	**9,289,578**
Depreciation and impairment					
At 1 June 2018	**1,236,260**	**4,389,316**	**25,883**	**129,973**	**5,781,432**
Depreciation charged in the year	**82,334**	**293,798**	-	**9,391**	**385,523**
Eliminated in respect of disposals	-	**(115,394)**	-	-	**(115,394)**
At 31 May 2019	**1,318,594**	**4,567,720**	**25,883**	**139,364**	**6,051,561**
Carrying amount					
At 31 May 2019	**2,450,991**	**787,026**	-	-	**3,238,017**
At 31 May 2018	2,533,325	684,730	-	9,391	3,227,446

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		**Company**	
	2019	2018	**2019**	2018
	£	£	**£**	£
Plant and machinery	**478,841**	443,441	**478,841**	436,908

Included in the cost of the property is land, which not being separately identified is depreciated. Also included is land of £46,000 (2018 - £46,000) which is separately identifiable and as such is not depreciated.

13 Tangible fixed assets (continued)

Company	Land and buildings Freehold	Plant and machinery	Total
	£	£	£
Cost			
At 1 June 2018	**2,848,983**	**3,371,077**	**6,220,060**
Additions	**-**	**396,094**	**396,094**
Disposals	**-**	**(115,394)**	**(115,394)**
At 31 May 2019	**2,848,983**	**3,651,777**	**6,500,760**
Depreciation and impairment			
At 1 June 2018	**884,435**	**2,856,426**	**3,740,861**
Depreciation charged in the year	**56,845**	**241,054**	**297,899**
Eliminated in respect of disposals	**-**	**(115,394)**	**(115,394)**
At 31 May 2019	**941,280**	**2,982,086**	**3,923,366**
Carrying amount			
At 31 May 2019	**1,907,703**	**669,691**	**2,577,394**
At 31 May 2018	1,964,548	514,651	2,479,199

14 Fixed asset investments

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**£**	£	**£**	£
Investments in subsidiaries	**15**	**-**	-	**650,050**	650,050
Investments in joint ventures	**16**	**53,522**	30,692	**30,692**	30,692
		53,522	30,692	**680,742**	680,742

14 Fixed asset investments (continued)

Movements in fixed asset investments
Group

	Shares in joint ventures
	£
Cost or valuation	
At 1 June 2018	30,692
Share of results	22,830
At 31 May 2019	53,522
Carrying amount	
At 31 May 2019	53,522
At 31 May 2018	30,692

Movements in fixed asset investments
Company

	Shares in group undertakings and participating interests
	£
Cost or valuation	
At 1 June 2018 and 31 May 2019	680,742
Carrying amount	
At 31 May 2019	680,742
At 31 May 2018	680,742

15 Subsidiaries

Details of the company's subsidiaries at 31 May 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Forfar Galvanisers Limited	Scotland	Galvanising services	Ordinary	100.00

16 Joint ventures

Details of joint ventures at 31 May 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held .Direct
Weihai Ritchie Hua Engineering	China	Production and sale of machinery parts	Ordinary	50.00

17 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	**2,214,778**	3,216,539	**2,205,867**	2,921,059
Carrying amount of financial liabilities				
Measured at amortised cost	**3,025,683**	3,456,800	**2,755,834**	2,802,772

Debt instruments measured at amortised cost comprises trade debtors, amounts due from group undertakings and other debtors.

Liabilities measured at amortised cost comprises bank loans and overdraft, trade creditors, amounts due to group undertakings, other creditors and accruals and deferred income.

18 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	**1,263,815**	1,290,740	**768,444**	720,252
Work in progress	**533,852**	740,130	**533,852**	740,130
Finished goods and goods for resale	**1,386,880**	787,801	**1,386,880**	787,801
	3,184,547	2,818,671	**2,689,176**	2,248,183

19 Debtors

Amounts falling due within one year:	Group 2019 £	2018 £	Company 2019 £	2018 £
Trade debtors	**2,214,778**	3,216,539	**2,012,139**	2,857,450
Amounts owed by group undertakings	**-**	-	**193,728**	63,609
Prepayments and accrued income	**95,322**	89,685	**29,065**	49,669
	2,310,100	3,306,224	**2,234,932**	2,970,728

20 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	22	**624,702**	719,075	**571,237**	466,152
Obligations under finance leases	23	**178,222**	117,129	**178,222**	112,858
Trade creditors		**640,332**	1,020,866	**504,091**	723,615
Corporation tax payable		**10,789**	104,446	**7,477**	87,715
Other taxation and social security		**169,539**	237,425	**145,302**	214,685
Accruals and deferred income		**521,466**	447,984	**493,327**	418,440
		2,145,050	2,646,925	**1,899,656**	2,023,465

21 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	22	**757,957**	813,485	**705,953**	743,446
Obligations under finance leases	23	**303,004**	338,261	**303,004**	338,261
Government grants		**24,834**	25,471	**24,834**	25,471
		1,085,795	1,177,217	**1,033,791**	1,107,178

Amounts included above which fall due after five years are as follows:

Payable by instalments	**559,997**	597,488	**559,997**	597,488

22 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	**812,481**	880,069	**742,442**	779,935
Bank overdrafts	**570,178**	652,491	**534,748**	429,663
	1,382,659	1,532,560	**1,277,190**	1,209,598
Payable within one year	**624,702**	719,075	**571,237**	466,152
Payable after one year	**757,957**	813,485	**705,953**	743,446

Bank borrowings are secured by fixed charges over the assets they relate to and floating charges over the assets of the David Ritchie (Implements) Limited and its subsidiary.

23 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	**178,222**	117,129	**178,222**	112,858
In two to five years	**303,004**	338,261	**303,004**	338,261
	481,226	455,390	**481,226**	451,119

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3-4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The finance lease creditors are secured over the assets to which they relate.

Finance leases are secured over the assets concerned.

24 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2019 £	Liabilities 2018 £
ACAs	**106,106**	78,502
Other	**(8,311)**	(5,065)
	97,795	73,437

Company	Liabilities 2019 £	Liabilities 2018 £
ACAs	**87,957**	51,281
Other	**(7,514)**	(4,530)
	80,443	46,751

24 Deferred taxation (continued)

Movements in the year:	**Group 2019 £**	**Company 2019 £**
Liability at 1 June 2018	**73,437**	**46,751**
Charge to profit or loss	**24,358**	**33,692**
Liability at 31 May 2019	**97,795**	**80,443**

25 Retirement benefit schemes

Defined contribution schemes	**2019 £**	2018 £
Charge to profit or loss in respect of defined contribution schemes	**153,877**	183,657

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

26 Share-based payment transactions

Company	**Number of share options**		**Weighted average exercise price**	
	2019 Number	2018 Number	**2019 £**	2018 £
Outstanding at 1 June 2018 and 31 May 2019	**9,015**	9,015	**53.24**	53.24
Exercisable at 31 May 2019	**9,015**	9,015	**53.24**	53.24

The options outstanding at 31 May 2019 had an exercise price ranging from £51.76 to £56.22, and a remaining contractual life of less than one year.

26 Share-based payment transactions (continued)

Company

The weighted average fair value of options was measured using the Black-Scholes option pricing model.

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

The weighted average risk free rate represents the interest rate for 10 year UK treasury gilts which is closest to the expected term of the employee options.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Inputs were as follows:

	2019	2018
Weighted average share price	**53.24**	53.24
Weighted average exercise price	**89.78**	89.78
Expected volatility	**5.00**	5.00
Expected life	**10.00**	10.00
Risk free rate	**2.68**	2.68

During the year, the company recognised total share-based payment expenses of £0 (2018 - £0) which related to equity settled share based payment transactions.

27 Share capital

	Group and company	
	2019	2018
Ordinary share capital	**£**	£
Issued and fully paid		
35,450 Ordinary shares of £1 each	**35,450**	35,450

Ordinary shares carry full ownership, voting and equity rights.

28 Share premium account

This reserve includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

29 Revaluation reserve

This is a non-distributable reserve and represents the cumulative effect of revaluations of fixed assets less deferred tax.

30 Capital redemption reserve

This is a non-distributable reserve representing the nominal value of shares following the redemption or purchase of the company's own shares.

31 Profit and loss reserves

Profit and loss reserves includes all current and prior period retained profits and losses.

32 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Within one year	**154,551**	76,727	**154,551**	74,987
Between two and five years	**300,766**	43,012	**300,766**	43,012
	455,317	119,739	**455,317**	117,999

33 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Acquisition of tangible fixed assets	**25,578**	35,440	**25,578**	35,440

34 Events after the reporting date

Post year end, the company issued 9,015 ordinary £1 shares under option agreements. The company then bought back 9,465 ordinary £1 shares for a total consideration of £503,221 and the shares were subsequently cancelled.

35 Cash generated from group operations

	2019	2018
	£	£
Profit for the year after tax	**853,857**	808,104
Adjustments for:		
Share of results of joint venture	**(22,830)**	-
Taxation charged	**35,026**	83,372
Finance costs	**45,159**	57,917
Investment income	**(4,062)**	(742)
Gain on disposal of tangible fixed assets	**(34,822)**	(11,000)
Amortisation and impairment of intangible assets	**(14,376)**	(14,376)
Depreciation and impairment of tangible fixed assets	**385,523**	413,771
Movements in working capital:		
Increase in stocks	**(365,876)**	(686,178)
Decrease/(increase) in debtors	**996,124**	(891,134)
(Decrease)/increase in creditors	**(374,938)**	412,281
Decrease in deferred income	**(637)**	(637)
Cash generated from operations	**1,498,148**	171,378

36 Cash generated from operations - company

	2019	2018
	£	£
Profit for the year after tax	**873,473**	839,095
Adjustments for:		
Taxation charged	**41,169**	85,179
Finance costs	**41,457**	41,514
Investment income	**(4,062)**	(742)
Gain on disposal of tangible fixed assets	**(28,080)**	(11,000)
Depreciation and impairment of tangible fixed assets	**297,899**	264,952
Movements in working capital:		
Increase in stocks	**(440,993)**	(617,165)
Decrease/(increase) in debtors	**735,796**	(825,539)
(Decrease)/increase in creditors	**(214,020)**	291,239
Decrease in deferred income	**(637)**	(637)
Cash generated from operations	**1,302,002**	66,896

37 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	**377,077**	385,799

During the year the company received income from Ritchie Hua Engineering Limited a company with common directors, of £79,278 (2018 - £40,396). There was no balance outstanding at the current or preceding year end.

38 Controlling party

There is no single controlling party.