

ESE DIRECT LIMITED
(REGISTERED NUMBER: 01279230)

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

MONDAY



A97QAVG8

A06

22/06/2020

#320

COMPANIES HOUSE

**CONTENTS OF THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Page
Company Information	3
Report of the Directors	4-5
Independent Auditor's Report	6-7
Statement of Comprehensive Income for the Year Ended 31 December 2019	8
Statement of Financial Position as at 31 December 2019	9
Statement of Changes in Equity for the Year Ended 31 December 2019	10
Notes to the Financial Statements for the Year Ended 31 December 2019	11-18

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS: Mr Dominic S Slingsby
Mr Morgan L Morris

SECRETARY: Mr Morgan L Morris

REGISTERED OFFICE: 1 Otley Road
Baildon
Shipley
BD17 7LW

REGISTERED NUMBER: 01279230 (England and Wales)

INDEPENDENT AUDITORS: RSM UK Audit LLP
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of online and mail order business product sales together with design, supply and installation of storage systems/equipment, partitioning and mezzanine floors.

REVIEW OF BUSINESS

During 2019, sales fell by 0.6% primarily due to milder weather throughout the year. Despite an improved margin, higher overheads resulted in operating profit decreasing from £0.45m in 2018 to £0.40m in 2019 before management charges of £180,000 (2018: £180,000) from the parent company.

The market remains competitive and we are cautious regarding the outlook. This is particularly the case due to significant uncertainty created by the Coronavirus. We are seeing large falls in demand from customers in certain adversely affected sectors and order concentration on a limited number of product lines and from a smaller number of customers. It is unclear as to the impact that the virus will have on demand going forward.

DIRECTORS

The directors who have held office during the period from 1 January 2019 to the date of this report are as follows:

Mr Dominic S Slingsby
Mr Morgan L Morris

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations amounting to £0 (2018 - £0) were paid by the company during the year.

FINANCIAL INSTRUMENTS

The company's financial instruments comprise cash and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations.

In the normal course of its business the company is exposed to liquidity risk. The objective is to ensure that sufficient resources are available to fund short term working capital and longer term strategic requirements. This is achieved through ensuring that the company has sufficient cash and borrowing facilities in place.

The company is also exposed to credit risk arising on cash deposits and trade receivables. The credit risk arising on cash deposits is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The credit risk on trade receivables is spread over large numbers of customers. There are no significant concentrations of credit risk.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) 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.

ESE DIRECT LIMITED (REGISTERED NUMBER: 01279230)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

As far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and the directors have taken all steps that they ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

INDEMNIFICATION OF DIRECTORS

The company confirms that qualifying third party indemnity insurance cover has been effected in respect of directors' and officers' liability to protect "insured persons" in respect of liabilities devolving on them for wrongful acts arising in the normal conduct of the business.

GOING CONCERN

HC Slingsby PLC, the parent company, has undertaken to provide or procure the provision of such financial assistance as will enable the company to meet its liabilities incurred in the ordinary course of business for a minimum period of at least one year from the date of approval of these financial statements.

However, the coronavirus pandemic could have a short to medium term impact on the Group and Company's financial performance which is not easy to forecast. The impact could be from a significant fall in demand, from customer credit losses (bad debts) or late customer payments. These would restrict the Company's ability to generate operating cashflow and could impact on the ability of the parent company to provide any necessary support.

While the directors are taking steps to manage cashflow, reduce costs and to plan appropriate mitigative commercial actions to take during this period of instability across the global economy, sensitivity analysis of the trading and cashflow forecasts prepared for the period to 31 December 2021 indicate some possible scenarios relating to ongoing reduced sales activity where the Group and Company may not be able to meet their liabilities as they fall due. The directors believe that it remains appropriate to prepare the financial statements on a going concern basis, however the coronavirus outbreak and the risks it may pose to the Company give rise to a level of material uncertainty relating to going concern.

The financial statements do not include any adjustments that would result from the basis of preparation as a going concern being inappropriate.

POST BALANCE SHEET EVENTS

Following the year end, the Company's activities have been impacted by the global coronavirus pandemic.

We are seeing falls in demand from customers in certain adversely affected sectors and order concentration on a limited number of product lines and from a smaller number of customers. It is unclear as to the impact that the virus will have on demand going forward. Whilst the precise impact of the pandemic is uncertain, the Directors have re-forecast profitability and cashflows for the foreseeable future to take into account expected outcomes. Details of actions being undertaken to mitigate the impact of the pandemic are provided in the Going Concern accounting policy.

INDEPENDENT AUDITOR

The auditor RSM UK Audit LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

The Report of the Directors has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

By order of the board



MORGAN L MORRIS
Company Secretary

15th May 2020

Opinion

We have audited the financial statements of ESE Direct Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates that the company may be adversely affected by the ongoing impact of the Covid-19 (coronavirus) outbreak and in particular the potential impact of a significant fall in demand on the company's cashflow. As stated in note 2, these events or conditions, along with the other matters set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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: <http://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.



Michael Thornton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

15 May 2020

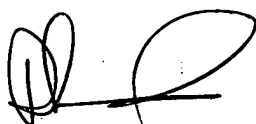
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019 £	2018 £
	Notes		
Revenue		6,416,232	6,454,455
Cost of sales		<u>(4,603,895)</u>	<u>(4,646,015)</u>
GROSS PROFIT		1,812,337	1,808,440
Administrative expenses		<u>(1,416,798)</u>	<u>(1,354,658)</u>
		395,359	453,782
Other operating income		-	-
Other operating expense		<u>(180,000)</u>	<u>(180,000)</u>
OPERATING PROFIT	3	215,359	273,782
Finance costs	5	<u>(5,587)</u>	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INCOME TAX		209,772	273,782
Income tax on ordinary activities	6	<u>(42,788)</u>	<u>(55,462)</u>
PROFIT FOR THE YEAR		<u>166,984</u>	<u>218,320</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>166,984</u>	<u>218,320</u>

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		2019	2018
		£	£
	Notes		
FIXED ASSETS			
Intangible assets	7	-	2,305
Property, plant and equipment	8	169,009	59,274
Deferred tax	12	1,321	2,916
		<u>170,330</u>	<u>64,495</u>
CURRENT ASSETS			
Trade and other receivables	9	975,437	1,019,102
Cash and cash equivalents		<u>1,170,660</u>	<u>1,067,032</u>
		2,146,097	2,086,134
CREDITORS:			
Amounts falling due within one year	10	<u>(805,705)</u>	<u>(872,629)</u>
NET CURRENT ASSETS		<u>1,340,392</u>	<u>1,213,505</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,510,722	1,278,000
NON CURRENT LIABILITIES			
Lease obligations	11	(65,738)	-
NET ASSETS		<u>1,444,984</u>	<u>1,278,000</u>
EQUITY			
Called up share capital	14	78,070	78,070
Capital redemption reserve		24,000	24,000
Retained earnings		<u>1,342,914</u>	<u>1,175,930</u>
SHAREHOLDERS' FUNDS		<u>1,444,984</u>	<u>1,278,000</u>

The notes on pages 11 to 18 are an integral part of these financial statements. The financial statements on pages 8 to 18 were authorised for issue by the board of directors on 15th May 2020 and were signed on its behalf by



D S Slingsby



M L Morris

ESE Direct Limited
Registered no. 01279230

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Called Up Share Capital	Capital Redemption Reserve	Retained Earnings	Total
		£	£	£	£
Balance as at 1 January 2018		78,070	24,000	957,610	1,059,680
Profit for the year and total comprehensive income for the year		-	-	218,320	218,320
Balance as at 31 December 2018		<u>78,070</u>	<u>24,000</u>	<u>1,175,930</u>	<u>1,278,000</u>
Profit for the year and total comprehensive income for the year		-	-	166,984	166,984
Balance as at 31 December 2019		<u>78,070</u>	<u>24,000</u>	<u>1,342,914</u>	<u>1,444,984</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

ESE Direct Limited ('the company') distributes industrial and commercial equipment predominantly within the UK.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 1 Otley Road, Baildon, Shipley, BD17 7LW.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

The company's functional and presentational currency is the Pound Sterling. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:
 - Disaggregated and total revenue from contracts with customers;
 - Explanation of significant changes in contract assets and liabilities;
 - Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
 - Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
 - Significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
 - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract.
- Comparative narrative information;
- Valuation technique(s) and assumptions used to measure recoverable amounts of assets on which impairment losses are recognised;
- Related party disclosures for transactions with the parent or wholly owned members of the group.
- Financial instrument disclosures, including:
 - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
 - Income, expenses, gains and losses on financial instruments;
 - Effects of initial application of IFRS 9;
- Comparative period reconciliations for the carrying amounts of intangible and tangible fixed assets;
- Lease maturity analysis of lease liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

Accounting Developments**Impact of new International Financial Reporting Standards**

During the year, the Company adopted IFRS 16 'Leases' ("IFRS 16") for the first time. IFRS 16 replaces IAS 17 'Leases' ("IAS 17"). The Company previously classified leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the Company, and 'operating leases'.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term. Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The Company has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 January 2019. Therefore, the comparative figures are as previously reported under IAS 17. The Company has applied this approach subject to the transition provisions set out below:

- For all contracts that existed prior to 1 January 2019, the Company has not applied IFRS 16 to reassess whether each contract is, or contains, a lease;
- A single discount rate has been applied to portfolios of leases with similar characteristics;
- Initial direct costs have been excluded from the measurement of the right-of-use assets; and
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

As at 1 January 2019, the Company recognised right-of-use assets and a lease liability of £128,086 in the statement of financial position. The right-of-use assets recognised at 1 January 2019 were assessed for impairment. No impairment losses have been recognised as a result.

The amounts recognised for leases at 1 January 2019, have been measured as follows:

- The lease liability is measured at the present value of the remaining lease payments at 1 January 2019, discounted at the lessee's incremental borrowing rate at that date.
- The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above.

A number of new amendments have been issued but are not effective until 1 January 2020 and have not been early adopted. The impact of these new standards and amendments will be assessed in detail prior to adoption, however at this stage the Directors do not anticipate them to have a material impact on the company.

Going Concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowing facilities. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowing facilities. Additionally, HC Slingsby PLC, the parent company, has undertaken to provide or procure the provision of such financial assistance as will enable the company to meet its liabilities incurred in the ordinary course of business for a minimum period of at least one year from the date of approval of these financial statements.

However, the coronavirus pandemic could have a short to medium term impact on the Group and Company's financial performance which is not easy to forecast. The impact could be from a significant fall in demand, from customer credit losses (bad debts) or late customer payments. These would restrict the Company's ability to generate operating cashflow and could impact on the ability of the parent company to provide any necessary support.

While the directors are taking steps to manage cashflow, reduce costs and to plan appropriate mitigative Commercial actions to take during this period of instability across the global economy, sensitivity analysis of the trading and cashflow forecasts prepared for the period to 31 December 2021 indicate some possible scenarios relating to ongoing reduced sales activity where the Group and Company may not be able to meet their liabilities as they fall due. The directors believe that it remains appropriate to prepare the financial statements on a going concern basis, however the coronavirus outbreak and the risks it may pose to the Company give rise to a level of material uncertainty relating to going concern.

The financial statements do not include any adjustments that would result from the basis of preparation as a going concern being inappropriate.

Revenue Recognition

Revenue represents net invoiced sales of goods where this is appropriate. Revenue relating to contract work is recognised as contract activity progresses and the right to consideration is earned. All revenue excludes Value Added Tax.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

Intangible Fixed Assets

Trademarks and computer software acquired are being amortised on a straight line basis over 3 years.

Amortisation is included within administrative expenses in the Statement of Comprehensive Income.

Property, Plant and Equipment including depreciation

Property, plant and equipment is stated at historic cost less accumulated depreciation. Historic cost includes original purchase price and the cost attributable to bringing the assets to their working condition for their intended use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 10% on cost
Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer and website	- 33% on cost

Current and Deferred Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in shareholder's funds. In this case, the tax is also recognised directly in shareholders' funds.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pension Costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the Statement of Comprehensive Income in the period to which they relate.

Operating Leases

Rentals payable under operating leases are charged on a straight line basis.

Government Grants

Grants of a revenue nature are credited to the Statement of Comprehensive Income in the same period as the related expenditure. The company received a grant of £80,000 from Suffolk County Council relating to the creation of 8 jobs. Whilst at 31 December 2019, the related jobs were created the full amount of the grant has not been recognised and is included within other creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

Accounting Estimates and Judgements

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting year. Actual results could differ from these estimates.

Key sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting year are:

- Measurement of lease liabilities - in determining the lease term the Company assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events of changes in circumstances occur that are within the lessee's control. When the interest rate implicit in the lease is not readily determinable, the Company estimates the incremental borrowing rate based on its external borrowings secured against similar asset, adjusted for the term of the lease. The Company applied a rate of 5% to all its leases disclosed in note 11, as it represents the Company's expected borrowing rate.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Depreciation - owned assets	18,316	21,496
Amortisation of intangibles	2,305	11,087
Management charges from holding company	180,000	180,000
Pension costs	12,978	10,933
Inventories recognised as an expense and written down	4,603,089	4,597,041
Auditor's remuneration – audit fee	6,000	6,000

The current directors are remunerated by the parent company HC Slingsby PLC. No director accrued benefits under a defined contribution scheme.

4. EMPLOYEE INFORMATION

	2019 £	2018 £
Staff costs for the company during year:		
Wages and salaries	456,951	499,153
Social security costs	50,179	43,413
Other pension costs	12,978	10,933
	<u>520,108</u>	<u>553,499</u>

	2019 Number	2018 Number
The average monthly number of persons employed by the company, including directors during the year was		
Selling and distribution	15	16
Administration	4	4
	<u>19</u>	<u>20</u>

5. FINANCE COSTS

	2019 £	2018 £
Interest payable on lease liabilities	<u>5,587</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

6. INCOME TAX**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax on profit for the year	41,194	57,033
Adjustments in respect of prior periods	<u>(1)</u>	<u>(1)</u>
Total current tax	41,193	57,032
Deferred tax		
Origination and reversal of timing differences	1,595	(1,570)
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Total deferred tax	(1,595)	(1,570)
Tax on profit on ordinary activities	<u><u>42,788</u></u>	<u><u>55,462</u></u>

Factors affecting the tax charge for the year:

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the company as follows:

	2019 £	2018 £
Profit before taxation	209,772	273,784
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	39,857	52,019
Utilisation of group losses	-	-
Other	2,932	3,444
Adjustments in respect of prior years		
– current tax	(1)	(1)
– deferred tax	<u>-</u>	<u>-</u>
Tax charge for the year	<u><u>42,788</u></u>	<u><u>55,462</u></u>

The company's profits for this accounting period are taxed at an effective rate of 19% (2017: 19.25%). Deferred tax assets and liabilities are measured at a rate of 17% as at 31 December 2019.

7. INTANGIBLE ASSETS

	Trademarks and Software £
COST	
At 1 January 2019	<u>38,342</u>
Additions	-
At 31 December 2019	<u>38,342</u>
ACCUMULATED AMORTISATION	
At 1 January 2019	36,037
Charge for year	<u>2,305</u>
At 31 December 2019	<u>38,342</u>
NET BOOK VALUE	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>2,305</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 January 2019 – as previously reported	118,957	40,652	14,919
Right-of-use assets on transition to IFRS 16	-	-	-
At 1 January 2019	118,957	40,652	14,919
Additions	-	-	-
Disposals	-	-	-
At 31 December 2019	118,957	40,652	14,883
ACCUMULATED DEPRECIATION			
At 1 January 2019	62,115	40,605	14,705
Charge for year	10,639	42	126
Eliminated on disposal	-	-	-
At 31 December 2019	72,754	40,647	14,831
NET BOOK VALUE			
At 31 December 2019	46,203	5	88
At 31 December 2018	56,842	47	214

	Motor vehicles £	Computer and Website £	Right-of-use Assets £	Totals £
COST				
At 1 January 2019 – as previously reported	-	233,924	-	408,452
Right-of-use assets on transition to IFRS 16	-	-	128,086	-
At 1 January 2019	-	233,924	128,086	536,538
Additions	20,075	12,592	-	32,667
Disposals	-	(74,607)	-	(74,607)
At 31 December 2019	20,075	171,909	128,086	494,598
ACCUMULATED DEPRECIATION				
At 1 January 2019	-	231,753	-	349,178
Charge for year	3,346	4,162	32,703	51,018
Eliminated on disposal	-	(74,607)	-	(74,607)
At 31 December 2019	3,346	161,308	32,703	325,589
NET BOOK VALUE				
At 31 December 2019	16,729	10,601	95,383	169,009
At 31 December 2018	-	2,171	-	59,274

HSBC Bank plc holds a charge over all the assets and undertakings of the company as security for any borrowings of the company and/or its holding company HC Slingsby PLC. The carrying amount and depreciation of right-of-use assets all relate to property leases.

9. TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Gross trade debtors	349,726	385,316
Debtors provision	(727)	(1,725)
Other debtors	18,223	27,296
Amounts owed by group undertakings	608,215	608,215
	<u>975,437</u>	<u>1,019,102</u>

No expected credit loss has been recorded against amounts owed to group undertakings on the basis that the amount could be recovered through the declaration of a dividend.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	428,757	479,523
Amounts owed to group undertakings	78,128	69,522
Taxation and social security	124,614	150,752
Lease obligations (note 11)	31,934	-
Other creditors	142,272	172,832
	<u>805,705</u>	<u>872,629</u>

11. LEASE COMMITMENTS

The Company leases premises for ESE expiring November 2022 with a break date at 1 December in any year of the term. The total cash outflow for leases during the year was £36,000.

The company had the following minimum lease payments under non-cancellable leases for each of the following periods:

	2019 £	2018 £
Expiring:		
Not later than one year	-	36,000
Between one and five years	-	105,000
	<u>-</u>	<u>141,000</u>

Differences between the operating lease commitments disclosed at 31 December 2018 under IAS 17 discounted at the incremental borrowing rate at 1 January 2019 and lease liabilities recognised at 1 January 2019 are explained below:

	£	£
Operating leases commitments disclosed at 31 December 2018	-	141,000
Discounted using the lessee's incremental borrowing rate at the date of initial application	-	(12,914)
	<u>-</u>	<u>128,086</u>
Lease liability recognised as at 1 January 2019		

12. DEFERRED TAX ASSET

	2019 £	2018 £
Deferred tax – Accelerated capital allowances	<u>(1,321)</u>	<u>(2,916)</u>
		Deferred Tax £
Balance as at 1 January 2018		(1,346)
Movement in year		(1,570)
Balance at 1 January 2019		<u>(2,916)</u>
Movement in year		1,595
Balance at 31 December 2019		<u>(1,321)</u>

13. CONTINGENT LIABILITY

The company has guaranteed the overdraft obligations of HC Slingsby PLC. As at 31 December 2019, the overdraft liability of HC Slingsby PLC was £1,389,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

14. CALLED UP SHARE CAPITAL

The company has two classes of share, neither having the right to fixed income. Each carries a right to vote at general meetings of the company.

Authorised, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
54,069 (2018:54,069)	Ordinary 'A'	£1	54,069	54,069
24,001 (2018:24,001)	Ordinary 'B'	£1	24,001	24,001
			<u>78,070</u>	<u>78,070</u>

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £12,978 (2018 - £10,933).

16. RELATED PARTY DISCLOSURES

As a subsidiary undertaking of HC Slingsby PLC, the company has taken advantage of the exemption under FRS 101 not to disclose transactions with other wholly owned members of the group headed by HC Slingsby PLC.

17. POST BALANCE SHEET EVENTS

Following the year end, the Company's activities have been impacted by the global coronavirus pandemic. We are seeing large falls in demand from customers in certain adversely affected sectors and order concentration on a limited number of product lines and from a smaller number of customers. It is unclear as to the impact that the virus will have on demand going forward. Whilst the precise impact of the pandemic is uncertain, the directors have re-forecast profit and loss and cashflow forecasts for the foreseeable future to take into account expected outcomes. Details of actions being undertaken to mitigate the impact of the pandemic are provided in the Going Concern accounting policy and Directors' Report

18. ULTIMATE CONTROLLING PARTY

The parent company and ultimate controlling party is HC Slingsby PLC by virtue of its 100% holding in the company's share capital.

HC Slingsby PLC is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are drawn up.

Copies of the consolidated financial statements of HC Slingsby PLC are available at the company's registered office, 1 Otley Road, Baildon, Shipley BD17 7LW.