

Company Registration No. 01287607 (England and Wales)

PENKETH'S LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

PENKETH'S LIMITED

COMPANY INFORMATION

Directors	M S Penketh D J Finn P A Mann C M Penketh Mrs J A Penketh (Appointed 17 January 2019)
Secretary	D J Finn
Company number	01287607
Registered office	2 Bassendale Road Croft Business Park Bromborough Wirral Merseyside CH62 3QL
Auditor	Mitchell Charlesworth LLP 24 Nicholas Street Chester CH1 2AU
Bankers	Barclays Bank plc 2 Liscard Village Wallasey Wirral Merseyside CH45 4JS

PENKETH'S LIMITED

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PENKETH'S LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The company's principal activities continued to be the supply of office supplies, furniture and fit out, printed matter and audio visual equipment. The activity of managed print services is operated by another company within the group.

The directors were delighted with record turnover figures for the second successive year, although this was tempered with a flattening of gross profit.

Principal risks and uncertainties

The principal risks and uncertainties moving forward concern the threat of a fall in demand following the UK's departure from the EU and any associated additional tariffs from EU partners.

Development and performance

The company is focusing on developing its presence in Manchester and is anticipating further growth in turnover and profits.

Key performance indicators

Turnover – up 5.1% from 2017 (2017 was up 5% from 2016).

Gross profit - level at 0% from 2017 (2017 was up 2% from 2016).

By order of the board

D J Finn

Secretary

17 May 2019

PENKETH'S LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Directors

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

M S Penketh

D J Finn

P A Mann

C M Penketh

Mrs J A Penketh

(Appointed 17 January 2019)

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £136,800. The directors do not recommend payment of a final dividend.

Auditor

The auditor, Mitchell Charlesworth LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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 company's auditor 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 company's auditor is aware of that information.

PENKETH'S LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is included in the strategic report on page 1.

By order of the board

D J Finn

Secretary

17 May 2019

PENKETH'S LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PENKETH'S LIMITED

Opinion

We have audited the financial statements of Penketh's Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

PENKETH'S LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PENKETH'S LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Philip Griffiths (Senior Statutory Auditor)
for and on behalf of Mitchell Charlesworth LLP

24 May 2019

Chartered Accountants
Statutory Auditor

24 Nicholas Street
Chester
CH1 2AU

PENKETH'S LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£	£
Turnover	3	12,570,387	11,960,654
Cost of sales		(9,025,405)	(8,614,021)
Gross profit		3,544,981	3,346,633
Administrative expenses		(3,256,289)	(3,394,278)
Other operating income		111,963	82,028
Operating profit	4	400,655	34,383
Interest receivable and similar income	8	-	2,380
Interest payable and similar expenses	9	(22,102)	(11,248)
Gains and losses on sale and valuation of investments	10	20,000	(2,330)
Profit before taxation		398,553	23,185
Taxation	11	(60,183)	(14,383)
Profit for the financial year		338,370	8,802

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

PENKETH'S LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	14		776,342		835,630
Investment properties	15		470,000		450,000
			<u>1,246,342</u>		<u>1,285,630</u>
Current assets					
Stocks	16	213,515		171,812	
Debtors	17	2,906,855		2,730,501	
Cash at bank and in hand		700		814	
		<u>3,121,070</u>		<u>2,903,127</u>	
Creditors: amounts falling due within one year	18	(2,322,463)		(2,177,769)	
Net current assets			<u>798,607</u>		<u>725,358</u>
Total assets less current liabilities			<u>2,044,949</u>		<u>2,010,988</u>
Creditors: amounts falling due after more than one year	19		(348,535)		(498,450)
Provisions for liabilities	22		(19,840)		(37,524)
Net assets			<u>1,676,574</u>		<u>1,475,004</u>
Capital and reserves					
Called up share capital	25		12,000		12,000
Capital redemption reserve			3,004		3,004
Profit and loss reserves			<u>1,661,570</u>		<u>1,460,000</u>
Total equity			<u>1,676,574</u>		<u>1,475,004</u>

The financial statements were approved by the board of directors and authorised for issue on 17 May 2019 and are signed on its behalf by:

M S Penketh
Director

Company Registration No. 01287607

PENKETH'S LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 January 2017		12,000	3,004	1,608,598	1,623,602
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		-	-	8,802	8,802
Dividends	12	-	-	(157,400)	(157,400)
Balance at 31 December 2017		12,000	3,004	1,460,000	1,475,004
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	338,370	338,370
Dividends	12	-	-	(136,800)	(136,800)
Balance at 31 December 2018		12,000	3,004	1,661,570	1,676,574

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Penketh's Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2 Bassendale Road, Croft Business Park, Bromborough, Wirral, Merseyside, CH62 3QL.

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 investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Penketh Group Holdings Limited. These consolidated financial statements are available from its registered office, 2 Bassendale Road, Croft Business Park, Bromborough, Wirral, Merseyside, CH62 3QL.

1.2 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.

1.3 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.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 4 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 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:

Leasehold land and buildings	0.8% straight line
Plant and equipment	20% reducing balance
Computers	25% straight line
Motor vehicles	20% straight line
Website	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 credited or charged to profit or loss.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Due to its restatement at fair value at each reporting date as required under FRS 102, investment property is not depreciated. This departs from a requirement of the Companies Act 2006 which requires all fixed assets to be depreciated. The departure from the provisions of the Act is required in order to achieve a fair presentation. Management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the company 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.

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.

1.8 Stocks

Stocks are stated at the lower of purchase cost and net realisable value. Cost is measured on a first-in-first-out basis.

At each reporting date, a provision is made for impairment. Any excess of the carrying amount of stocks over its expected net realisable value is recognised as an impairment loss in profit or loss.

1.9 Cash at bank and in hand

Cash at bank and in hand 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.

1.10 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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 company 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.

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 company after deducting all of its liabilities.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company 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 company.

1.12 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 when the company has 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.

1.13 Employee benefits

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

1.14 Retirement benefits

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

1.15 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.

1.16 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.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

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

	2018	2017
	£	£
Turnover analysed by class of business		
Sale of goods	11,832,188	11,456,293
Provision of Services	738,199	504,361
	<u>12,570,387</u>	<u>11,960,654</u>

	2018	2017
	£	£
Other significant revenue		
Interest income	-	176
Dividends received	-	2,204
	<u>-</u>	<u>2,380</u>

4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging:		
Exchange (gains)/losses	-	115
Depreciation of owned tangible fixed assets	64,081	74,693
Loss on disposal of tangible fixed assets	1,470	11,761
Cost of stocks recognised as an expense	9,025,406	8,614,021
Operating lease charges	305,901	245,581
	<u>9,396,858</u>	<u>8,946,171</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £- (2017 - £115).

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	10,000	11,064
	<u> </u>	<u> </u>

Remuneration paid to the company's auditor for services other than the statutory audit of the company are not analysed in these accounts, since the consolidated accounts of the parent undertaking, Penketh Group Holdings Limited are required to disclose non-audit fees on a consolidated basis.

6 Employees

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

	2018	2017
	Number	Number
Directors	4	4
Finance, IT and administration	8	8
Buying	4	5
Operations	11	11
Design	6	5
Sales and marketing	11	15
Warehouse	22	23
	<u> </u>	<u> </u>
	66	71
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	1,854,025	1,889,994
Social security costs	187,168	191,472
Pension costs	128,699	289,952
	<u> </u>	<u> </u>
	2,169,892	2,371,418
	<u> </u>	<u> </u>

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	255,925	291,343
Company pension contributions to defined contribution schemes	61,356	236,622
	<u>317,281</u>	<u>527,965</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 - 6).

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

	2018 £	2017 £
Remuneration for qualifying services	107,600	104,350
Company pension contributions to defined contribution schemes	17,160	15,324
	<u>124,760</u>	<u>119,674</u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	-	176
Other income from investments		
Dividends received	-	2,204
Total income	<u>-</u>	<u>2,380</u>

Investment income includes the following:

Dividends from financial assets measured at fair value through profit or loss	-	2,204
	<u>-</u>	<u>2,204</u>

9 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	20,839	11,248
Interest on finance leases and hire purchase contracts	1,263	-
	<u>22,102</u>	<u>11,248</u>

FOR THE YEAR ENDED 31 DECEMBER 2018

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PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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:

	2018 £	2017 £
Profit before taxation	398,553	23,185
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	75,725	4,405
Tax effect of expenses that are not deductible in determining taxable profit	2,627	11,805
Tax effect of income not taxable in determining taxable profit	(3,800)	(419)
Adjustments in respect of prior years	(14,906)	-
Depreciation on assets not qualifying for tax allowances	-	1,600
Adjustment to reflect effective tax rate	537	(3,008)
Taxation charge for the year	60,183	14,383

12 Dividends

	2018 £	2017 £
Interim paid	136,800	157,400

13 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2018 and 31 December 2018	221,000
Amortisation and impairment	
At 1 January 2018 and 31 December 2018	221,000
Carrying amount	
At 31 December 2018	-
At 31 December 2017	-

PENKETH'S LIMITED

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

14	Tangible fixed assets								
		Leasehold land and buildings	Plant and equipment	Computers	Motor vehicles	Website	Total		
		£	£	£	£	£	£		
Cost	At 1 January 2018	808,002	242,992	163,499	34,137	129,574	1,378,204		
	Additions	9,780	11,469	8,460	-	-	29,709		
	Disposals	-	(38,577)	(16,337)	(34,137)	-	(89,051)		
	At 31 December 2018	817,782	215,884	155,622	-	129,574	1,318,862		
Depreciation and impairment									
	At 1 January 2018	112,975	162,217	127,662	10,146	129,574	542,574		
	Depreciation charged in the year	20,806	16,644	21,097	5,534	-	64,081		
	Eliminated in respect of disposals	-	(32,201)	(16,254)	(15,680)	-	(64,135)		
	At 31 December 2018	133,781	146,660	132,505	-	129,574	542,520		
Carrying amount									
	At 31 December 2018	684,001	69,224	23,117	-	-	776,342		
	At 31 December 2017	695,027	80,775	35,837	23,991	-	835,630		

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Tangible fixed assets (Continued)

Barclays Bank PLC holds security in the form of a legal mortgage over the properties known as Unit 2 and 4 Bassendale Road, Bromborough included above, as well as fixed and floating charges over all other assets of the company including trade and other book debts.

A fixed and floating charge dated 5 May 2017 was established over all freehold and leasehold properties owned by Penketh's Limited by Mr S W Penketh and Mr A J Penketh, previous directors and shareholders, in relation to future deferred payments for the purchase of their shares in Penketh's Limited by Penketh Group Holdings Limited.

15 Investment property

2018
£

Fair value

At 1 January 2018	450,000
Net gains or losses through fair value adjustments	20,000
At 31 December 2018	470,000

Investment property comprises 4 Bassendale Road, Bromborough. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 15 January 2019 by Hitchcock Wright & Partners Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

16 Stocks

2018 **2017**
£ **£**

Finished goods and goods for resale	213,515	171,812

The amount of impairment losses for obsolete stock recognised in the statement of comprehensive income during the year was £13,000 (2017 - £43,000).

17 Debtors

2018 **2017**
£ **£**

Amounts falling due within one year:

Trade debtors	1,283,611	1,624,203
Amounts owed by group undertakings	1,453,424	965,000
Other debtors	2,946	2,604
Prepayments and accrued income	166,874	138,694
	2,906,855	2,730,501

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Debtors

(Continued)

The amount of impairment losses for trade debtors recognised in the statement of comprehensive income during the year was £16,132 (2017 - £5,352).

18 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	20	279,757	342,877
Obligations under finance leases	21	5,576	11,069
Trade creditors		1,427,798	1,245,596
Corporation tax		66,774	2,125
Other taxation and social security		234,002	197,468
Other creditors		11,660	61,061
Accruals and deferred income		296,896	317,573
		<u>2,322,463</u>	<u>2,177,769</u>

19 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	20	348,535	485,538
Obligations under finance leases	21	-	12,922
		<u>348,535</u>	<u>498,460</u>

Included within creditors due after more than one year is a balance of £348,535 (2017 - 485,538) relating to a mortgage taken out with Barclays Bank PLC. This liability is secured by way of a fixed and floating charge over the undertaking of all property and assets present and future.

This charge contains a cross-guarantee between Penketh's Limited and the parent company Penketh Group Holdings Limited.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Loans and overdrafts

	2018 £	2017 £
Bank loans	502,334	638,337
Bank overdrafts	125,958	190,078
	<u>628,292</u>	<u>828,415</u>
Payable within one year	279,757	342,877
Payable after one year	<u>348,535</u>	<u>485,538</u>

The bank loans and overdraft are secured by fixed charges as disclosed in note 14.

21 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	5,576	11,069
In two to five years	-	12,922
	<u>5,576</u>	<u>23,991</u>

Finance lease payments represent rentals payable by the company 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 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	23	<u>19,840</u>	<u>37,524</u>

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Deferred taxation

Deferred tax assets and liabilities are offset where the 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:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated Capital Allowances	19,840	37,524
	<u> </u>	<u> </u>
Movements in the year:		2018 £
Liability at 1 January 2018		37,524
Credit to profit or loss		(17,684)
		<u> </u>
Liability at 31 December 2018		19,840
		<u> </u>

24 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	128,699	289,952
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

25 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
12,000 Ordinary shares of £1 each	12,000	12,000
	<u> </u>	<u> </u>
	12,000	12,000
	<u> </u>	<u> </u>

All ordinary shares rank equally for voting, dividend and distribution purposes.

PENKETH'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

26 Operating lease commitments

Lessee

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

	2018 £	2017 £
Within one year	219,833	221,586
Between two and five years	487,443	486,848
	<u>707,276</u>	<u>708,434</u>

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2018 £	2017 £
Within one year	39,375	38,750
Between two and five years	42,625	82,000
	<u>82,000</u>	<u>120,750</u>

27 Controlling party

Penketh's Limited is a wholly owned subsidiary of Penketh Group Holdings Limited. The results of Penketh's Limited are included in the consolidated financial statements of Penketh Group Holdings Limited, whose registered office is 2 Bassendale Road, Croft Business Park, Bromborough, Wirral, CH62 3QL.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.