

Company Registration No. 08028721 (England and Wales)

SP MACBETH 5 LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

SP MACBETH 5 LTD

WEDNESDAY



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SP MACBETH 5 LTD

COMPANY INFORMATION

Directors	T Brain T Hamlett P Cuthill
Secretary	Mr T Brain
Company number	08028721
Registered office	Unit 3 Shepperton Business Park Govett Avenue Shepperton Middlesex TW17 8BA
Auditor	Jacob Cavenagh & Skeet 5 Robin Hood Lane Sutton Surrey SM1 2SW

SP MACBETH 5 LTD

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SP MACBETH 5 LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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

Fair review of the business

The directors are pleased to report that the group continues to trade at acceptable profit levels and reports an increase in turnover of 13.6% over the whole group despite the difficult trading conditions in the year. The business has maintained its margins and overall Gross Profit is 34.8%. Gross margins have been increased by taking advantage of the company's positive cash flow and being in the position to place large call-off stock orders. The company has also been in the position to purchase from other companies in the industry that were required to reduce their stockholdings. In general, having such a small management team allows the company to react quickly and take advantage of business opportunities that arise.

Principal risks and uncertainties

The business has identified 3 key areas in which it faces some form of exposure but has taken steps to minimise each case.

- Exposure to exchange rates in its foreign activities has been addressed by the business both buying and selling in the three major currencies: Sterling, Euros and US Dollars. Activities have meant that it holds cash balances in each of these currencies thus alleviating any major changes to exchange rates.
- The market in which the business operates is finite and to address this, the business continues to develop its product portfolio to offer more and more to its customers.
- The business has identified that there is a shortage of staff with the right level of skills on the market and to address this it has commenced a program of recruiting staff and putting them through "apprentice" style training courses to ensure that the correct skill levels are reached.

The business's principal financial instruments comprise of bank balances, stock, trade debtors and trade creditors. The purpose of these financial instruments is to finance the business's operations.

Bank balances are held in such a way as to minimise interest and charges paid.

Trade debtors are controlled using a very strict credit control program to minimise the risk of bad debts and to ensure that there is enough liquidity in the business to pay its trade creditors.

On behalf of the board



T Brain

Director

9 November 2018

SP MACBETH 5 LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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

Principal activities

The group acts as distributors, dealers and wholesalers of bearings and other products to the engineering industry.

Directors

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

T Brain
T Hamlett
P Cuthill

Results and dividends

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

Dividends of £27,000 were paid on the redeemable preference shares.

Ordinary dividends were paid amounting to £1,522,000. The directors do not recommend payment of a further dividend.

Auditor

The auditor, Jacob Cavenagh & Skeet, 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

SP MACBETH 5 LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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.

On behalf of the board



T Brain

Director

9 November 2018

SP MACBETH 5 LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SP MACBETH 5 LTD

Opinion

We have audited the financial statements of SP Macbeth 5 Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 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 March 2018 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.

SP MACBETH 5 LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SP MACBETH 5 LTD

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.

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.



Paul Newton FCA (Senior Statutory Auditor)
for and on behalf of Jacob Cavenagh & Skeet

Chartered Accountants
Statutory Auditor

7/12/2018

5 Robin Hood Lane
Sutton
Surrey
SM1 2SW

SP MACBETH 5 LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover		19,847,198	17,477,891
Cost of sales		(12,938,353)	(10,545,570)
Gross profit		6,908,845	6,932,321
Administrative expenses		(3,507,832)	(3,225,732)
Operating profit	3	3,401,013	3,706,589
Interest receivable and similar income	7	10	595
Interest payable and similar expenses	8	(20,601)	(67,200)
Profit before taxation		3,380,422	3,639,984
Tax on profit	9	(685,562)	(771,179)
Profit for the financial year		2,694,860	2,868,805

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

SP MACBETH 5 LTD

GROUP BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Goodwill	11	662,991		828,739	
Tangible assets	12	131,378		111,724	
		<u>794,369</u>		<u>940,463</u>	
Current assets					
Stocks	16	6,444,549		6,160,758	
Debtors	17	4,970,994		4,296,122	
Cash at bank and in hand		479,950		737,969	
		<u>11,895,493</u>		<u>11,194,849</u>	
Creditors: amounts falling due within one year	18	(3,125,517)		(3,700,111)	
Net current assets		<u>8,769,976</u>		<u>7,494,738</u>	
Total assets less current liabilities		<u>9,564,345</u>		<u>8,435,201</u>	
Creditors: amounts falling due after more than one year	19	(294,247)		-	
Provisions for liabilities	20	(19,949)		(15,954)	
Net assets		<u>9,250,149</u>		<u>8,419,247</u>	
Capital and reserves					
Called up share capital	22	1,018,934		1,018,934	
Share premium account		150,674		150,674	
Profit and loss reserves		8,080,541		7,249,639	
Total equity		<u>9,250,149</u>		<u>8,419,247</u>	

The financial statements were approved by the board of directors and authorised for issue on 9 November 2018 and are signed on its behalf by:



T Brain
Director

SP MACBETH 5 LTD

COMPANY BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Investments	13	5,234,245		5,234,245	
Current assets					
Debtors	17	27,461		34,051	
Cash at bank and in hand		4,155		3,454	
		<u>31,616</u>		<u>37,505</u>	
Creditors: amounts falling due within one year	18	<u>(3,793,569)</u>		<u>(4,086,259)</u>	
Net current liabilities		(3,761,953)		(4,048,754)	
Total assets less current liabilities		1,472,292		1,185,491	
Creditors: amounts falling due after more than one year	19	(294,247)		-	
Net assets		1,178,045		1,185,491	
Capital and reserves					
Called up share capital	22	1,018,934		1,018,934	
Share premium account		150,674		150,674	
Profit and loss reserves		8,437		15,883	
Total equity		1,178,045		1,185,491	

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 £1,856,512 (2017 - £343,152 profit).

The financial statements were approved by the board of directors and authorised for issue on 9 November 2018 and are signed on its behalf by:



T Brain
Director

Company Registration No. 08028721

SP MACBETH 5 LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 April 2016		1,018,934	150,674	4,722,834	5,892,442
Year ended 31 March 2017:					
Profit and total comprehensive income for the year		-	-	2,868,805	2,868,805
Dividends	10	-	-	(342,000)	(342,000)
Balance at 31 March 2017		1,018,934	150,674	7,249,639	8,419,247
Year ended 31 March 2018:					
Profit and total comprehensive income for the year		-	-	2,694,860	2,694,860
Bonus issue of redeemable preference shares	22	-	-	(341,958)	(341,958)
Dividends	10	-	-	(1,522,000)	(1,522,000)
Balance at 31 March 2018		1,018,934	150,674	8,080,541	9,250,149

SP MACBETH 5 LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 April 2016		1,018,934	150,674	14,731	1,184,339
Year ended 31 March 2017:					
Profit and total comprehensive income for the year		-	-	343,152	343,152
Dividends	10	-	-	(342,000)	(342,000)
Balance at 31 March 2017		1,018,934	150,674	15,883	1,185,491
Year ended 31 March 2018:					
Profit and total comprehensive income for the year		-	-	1,856,512	1,856,512
Bonus issue of shares	22	-	-	(341,958)	(341,958)
Dividends	10	-	-	(1,522,000)	(1,522,000)
Balance at 31 March 2018		1,018,934	150,674	8,437	1,178,045

SP MACBETH 5 LTD

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	27	2,277,508		2,977,652	
Interest paid		(13,809)		(67,200)	
Income taxes paid		(912,575)		(582,644)	
Net cash inflow from operating activities		1,351,124		2,327,808	
Investing activities					
Purchase of tangible fixed assets		(60,356)		(39,461)	
Proceeds on disposal of tangible fixed assets		200		2,365	
Interest received		10		595	
Net cash used in investing activities		(60,146)		(36,501)	
Financing activities					
Issue of preference shares	3	-		-	
Dividend on redeemable preference shares	(27,000)		(1,419,754)		
Dividends paid to equity shareholders	(1,522,000)		(342,000)		
Net cash used in financing activities		(1,548,997)		(1,761,754)	
Net (decrease)/increase in cash and cash equivalents		(258,019)		529,553	
Cash and cash equivalents at beginning of year		737,969		208,416	
Cash and cash equivalents at end of year		479,950		737,969	

SP MACBETH 5 LTD

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash absorbed by operations	28	(325,500)		(6,531)	
Interest paid		(12,002)		(50,216)	
Net cash outflow from operating activities		(337,502)		(56,747)	
Investing activities					
Dividends received		1,887,200		398,400	
Net cash generated from investing activities		1,887,200		398,400	
Financing activities					
Issue of preference shares	3	-		-	
Dividend on redeemable preference shares		(27,000)		-	
Dividends paid to equity shareholders		(1,522,000)		(342,000)	
Net cash used in financing activities		(1,548,997)		(342,000)	
Net increase/(decrease) in cash and cash equivalents		701		(347)	
Cash and cash equivalents at beginning of year		3,454		3,801	
Cash and cash equivalents at end of year		4,155		3,454	

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

Company information

SP Macbeth 5 Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Unit 3 Shepperton Business Park, Govett Avenue, Shepperton, Middlesex, TW17 8BA.

The group consists of SP Macbeth 5 Ltd 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. 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 for parent company information presented within the consolidated financial statements:

- 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.

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.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of SP Macbeth 5 Ltd 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 March 2018. 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.

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

Goodwill represents the excess of the cost of acquisition of a business 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 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 Leasehold	over lease term of 7 years
Plant and machinery	at individual rates up to 33.3%
Fixtures, fittings & equipment	over 6 years
Computer equipment	over 5 years

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.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

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.

1.8 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.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.10 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.

1.11 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.

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.

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.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

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 direct issue 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.

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.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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 Leases

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.

1.17 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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Stock is valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and stock loss trends.

SP MACBETH 5 LTD

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

3 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	22,451	(49,972)
Depreciation of owned tangible fixed assets	40,702	35,751
(Profit)/loss on disposal of tangible fixed assets	(200)	93,275
Amortisation of intangible assets	165,748	165,748
Cost of stocks recognised as an expense	12,307,971	9,980,441
Operating lease charges	81,750	80,600
	<u> </u>	<u> </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 £22,451 (2017 - £49,972).

4 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	2,880	2,820
Audit of the financial statements of the company's subsidiaries	14,800	14,480
	<u> </u>	<u> </u>
	17,680	17,300
	<u> </u>	<u> </u>

5 Employees

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

	2018 Number	2017 Number
Office and management	16	14
Sales and distribution	39	36
	<u> </u>	<u> </u>
	55	50
	<u> </u>	<u> </u>
Wages and salaries	2,029,096	1,693,698
Social security costs	209,728	165,294
Pension costs	24,440	23,734
	<u> </u>	<u> </u>
	2,263,264	1,882,726
	<u> </u>	<u> </u>

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	317,300	252,004
Company pension contributions to defined contribution schemes	14,104	13,882
	<u>331,404</u>	<u>265,886</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

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

	2018 £	2017 £
Remuneration for qualifying services	149,679	141,356
Company pension contributions to defined contribution schemes	12,500	12,500
	<u>162,179</u>	<u>153,856</u>

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	10	595
	<u>10</u>	<u>595</u>

8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	557	16,984
Other interest on financial liabilities	12,002	50,216
	<u>12,559</u>	<u>67,200</u>
Other finance costs:		
Unwinding of discount on provisions	6,792	-
Other interest	1,250	-
	<u>8,042</u>	<u>-</u>
Total finance costs	<u>20,601</u>	<u>67,200</u>

SP MACBETH 5 LTD

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

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	681,839	786,847
Adjustments in respect of prior periods	(272)	1,322
Total current tax	681,567	788,169
Deferred tax		
Origination and reversal of timing differences	3,995	(16,990)
Total tax charge for the year	685,562	771,179

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

	2018 £	2017 £
Profit before taxation	3,380,422	3,639,984
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	642,280	727,997
Tax effect of expenses that are not deductible in determining taxable profit	44,277	41,850
Adjustments in respect of prior years	(272)	1,322
Permanent capital allowances in excess of depreciation	(4,718)	17,000
Origination and reversal of timing differences	3,995	(16,990)
Taxation charge for the year	685,562	771,179

10 Dividends

	2018 £	2017 £
Interim paid	1,522,000	342,000

Interim dividends were paid on the A and B ordinary shares.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2017 and 31 March 2018	1,657,479
Amortisation and impairment	
At 1 April 2017	828,740
Amortisation charged for the year	165,748
At 31 March 2018	994,488
Carrying amount	
At 31 March 2018	662,991
At 31 March 2017	828,739

The company had no intangible fixed assets at 31 March 2018 or 31 March 2017.

12 Tangible fixed assets

Group	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost					
At 1 April 2017	137,312	590,701	666,961	27,553	1,422,527
Additions	-	51,189	8,972	195	60,356
Disposals	-	-	(145)	-	(145)
At 31 March 2018	137,312	641,890	675,788	27,748	1,482,738
Depreciation and impairment					
At 1 April 2017	121,572	508,611	656,967	23,653	1,310,803
Depreciation charged in the year	5,773	30,505	3,508	916	40,702
Eliminated in respect of disposals	-	-	(145)	-	(145)
At 31 March 2018	127,345	539,116	660,330	24,569	1,351,360
Carrying amount					
At 31 March 2018	9,967	102,774	15,458	3,179	131,378
At 31 March 2017	15,740	82,090	9,994	3,900	111,724

The company had no tangible fixed assets at 31 March 2018 or 31 March 2017.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	14	-	-	5,234,245	5,234,245

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2017 and 31 March 2018	5,234,245
Carrying amount	
At 31 March 2018	5,234,245
At 31 March 2017	5,234,245

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2018 are as follows:

Name of undertaking	Nature of business	Class of shareholding	% Held
Autosport Bearings and Components Ltd	Distribution and wholesale of business	Ordinary	100.00
Disc Springs and Components Ltd	Dormant	Ordinary	100.00
Godiva Bearings (Southern) Ltd	Distribution and wholesale of business	Ordinary	100.00
Godiva Bearings Group Ltd	Holding company	Ordinary	100.00
Godiva Bearings Ltd	Holding company	Ordinary	100.00

The subsidiaries are all included in the consolidated accounts and have their registered office at Unit 3, Shepperton Business Park, Govett Avenue, Shepperton, Middlesex, TW17 8BA.

15 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	4,795,036	4,117,228	-	-
Carrying amount of financial liabilities				
Measured at amortised cost	3,032,010	3,059,163	4,087,816	4,086,259

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

16 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Finished goods and goods for resale	<u>6,444,549</u>	<u>6,160,758</u>	<u>-</u>	<u>-</u>

17 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	4,736,585	4,087,246	-	-
Other debtors	58,451	29,982	-	-
Prepayments and accrued income	175,958	178,894	27,461	34,051
	<u>4,970,994</u>	<u>4,296,122</u>	<u>27,461</u>	<u>34,051</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Redeemable preference shares		27,506	-	27,506	-
Trade creditors		2,163,683	1,810,497	-	-
Amounts due to group undertakings		-	-	3,761,863	3,274,360
Corporation tax payable		265,839	496,847	-	-
Other taxation and social security		121,915	144,101	-	-
Other creditors		212,716	918,263	-	807,899
Accruals and deferred income		333,858	330,403	4,200	4,000
		<u>3,125,517</u>	<u>3,700,111</u>	<u>3,793,569</u>	<u>4,086,259</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Redeemable preference shares		<u>294,247</u>	<u>-</u>	<u>294,247</u>	<u>-</u>

During the year the company made a bonus issue of 3 redeemable preference shares of £1 each. Dividends of £12,000 a year are payable on each share until June 2028. The liability arising from the issue of these shares has been recognised using a discount rate of 2.75%.

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

20 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:

	Liabilities 2018 £	Liabilities 2017 £
Group		
Accelerated capital allowances	19,949	15,954

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability at 1 April 2017	15,954	-
Charge to profit or loss	3,995	-
Liability at 31 March 2018	19,949	-

£6,000 of the deferred tax liability is expected to reverse in the next 12 months as the accelerated capital allowances unwind.

21 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	24,440	23,734

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.

22 Share capital

	Group and company 2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
10,000 Ordinary A of £1 each	10,000	10,000
3 Ordinary B of £1 each	3	3
	10,003	10,003

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

22 Share capital

(Continued)

Preference share capital

Issued and fully paid

1,008,931 Preference of £1 each

1,008,931

1,008,931

The A ordinary shares entitle the holder to one vote per share and to participate in dividends. The B ordinary shares have no voting rights but do participate in dividends. The preference shares have no voting rights and do not participate in dividends. On a share sale or winding up the preference shares have priority over the B shares which have priority over the A shares.

23 Financial commitments, guarantees and contingent liabilities

The group's bankers have provided a VAT deferment bond with recourse to the group. The potential liability to the bank amounts to £40,000.

There is a fixed and floating charge over the assets of the company and its subsidiaries to secure any amounts that are due under invoice financing.

24 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 2018 £	2017 £	Company 2018 £	2017 £
Within one year	275,187	234,236	-	-
Between two and five years	558,059	598,289	-	-
In over five years	105,525	142,241	-	-
	<u>938,771</u>	<u>974,766</u>	<u>-</u>	<u>-</u>

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	<u>331,404</u>	<u>265,886</u>

SP MACBETH 5 LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

26 Directors' transactions

Dividends totalling £1,540,000 (2017 - £342,000) were paid in the year in respect of shares held by the company's directors.

27 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	2,694,860	2,868,805
Adjustments for:		
Taxation charged	685,562	771,179
Finance costs	20,601	67,200
Investment income	(10)	(595)
(Gain)/loss on disposal of tangible fixed assets	(200)	93,275
Amortisation and impairment of intangible assets	165,748	165,748
Depreciation and impairment of tangible fixed assets	40,702	35,751
Movements in working capital:		
(Increase) in stocks	(283,791)	(97,239)
(Increase) in debtors	(674,872)	(451,139)
(Decrease) in creditors	(371,092)	(475,333)
Cash generated from operations	2,277,508	2,977,652

28 Cash generated from operations - company

	2018 £	2017 £
Profit for the year after tax	1,856,512	343,152
Adjustments for:		
Finance costs	18,794	50,216
Investment income	(1,887,200)	(398,400)
Movements in working capital:		
Decrease in debtors	6,590	6,591
(Decrease) in creditors	(320,196)	(8,090)
Cash absorbed by operations	(325,500)	(6,531)