

Company Registration No. 02956470 (England and Wales)

M H JOINERY PRODUCTS PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018

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COMPANIES HOUSE

M H JOINERY PRODUCTS PLC

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr A J Saitch Mrs A J Saitch Mr M J Tracey Mr I C Hobden |
| Secretary | Mrs A J Saitch |
| Company number | 02956470 |
| Registered office | Unit 11 Parrett Way Colley Lane Industrial Estate Bridgwater Somerset TA6 5LD |
| Auditor | RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD |

M H JOINERY PRODUCTS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present the strategic report for the year ended 30 June 2018.

Fair review of the business

Despite market conditions remaining challenging, turnover has increased from £6,376,971 to £7,005,438. Gross profit margin has increased to 22% (2017: 19%) and the company has been able to generate a profit before tax of £222,723 (2017: £14,805). The company retains a positive cash balance, and positive net assets, which it hopes to use to invest in the business to boost future profitability.

Principal risks and uncertainties

The company manufactures timber windows, doors and staircases and operates in the construction industry. The company is subject to the normal commercial risks associated with manufacturing timber products and of operating within the construction industry. The company employs over 100 people but manages any risk associated with this by formalising terms and conditions in employee contracts.

Key performance indicators

The performance of the company is closely monitored by the directors using internal budgets monitoring the standard financial and nonfinancial indicators for a manufacturing business.

The KPIs the directors use to manage the business are:

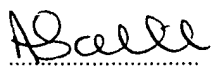
Sales order pipeline
Cash flow and working capital
Staff productivity
Production efficiency

The directors remain confident in the sales order pipeline and that future orders will be of sufficient value to help the company grow. The company was able to boost its cash balance during the year and will continue to manage and monitor cash flows accordingly. Staff productivity remains vital to the business and the directors were pleased with the return generated from production hours worked.

Strategy

The company still remains committed to investment in plant, equipment & buildings to ensure continued competitiveness in the woodworking industry.

On behalf of the board



Mr A J Saitch
Director

Date: 19/12/18

M H JOINERY PRODUCTS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

Principal activities

The principal activity of the company continued to be that of the manufacture of timber windows, doors and staircases.

Directors

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

Mr A J Saitch
Mrs A J Saitch
Mr M J Tracey
Mr I C Hobden

Results and dividends

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

The directors recommend payment of an ordinary dividend amounting to £29,150 (2017: £nil).

Acquisition of own shares

During the year the company purchased 3,800 ordinary shares of £1 nominal value for consideration of £165,000 consideration. The shares were purchased for cancellation and represent 5.75% of the called-up share capital of the company.

Auditor

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

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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

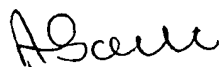
Strategic Report

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the company.

Going concern

No material uncertainties that may cast significant doubt on the ability of the company to continue as a going concern into the foreseeable future have been identified by the directors. The directors have looked at least 12 months from the date of approval of the financial statements. Therefore, the financial statements have been prepared on the going concern basis.

On behalf of the board



Mr A J Saitch
Director

Date: 19/12/18

M H JOINERY PRODUCTS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M H JOINERY PRODUCTS PLC

Opinion

We have audited the financial statements of M H Joinery Products Plc (the 'company') for the year ended 30 June 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M H JOINERY PRODUCTS PLC (CONTINUED)

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 set out on page 3, 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 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.

RSM UK Audit LLP

Thomas Morgan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol

BS1 6AD
20 DECEMBER 2018

M H JOINERY PRODUCTS PLC

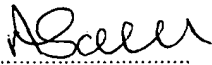
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 £ | 2017 £ |
|--|-----------|-------------|-------------|
| Turnover | 3 | 7,005,438 | 6,376,971 |
| Cost of sales | | (5,459,529) | (5,179,631) |
| Gross profit | | 1,545,909 | 1,197,340 |
| Administrative expenses | | (1,328,941) | (1,210,273) |
| Other operating income | | 17,055 | 39,000 |
| Operating profit | 6 | 234,023 | 26,067 |
| Interest receivable and similar income | 8 | 183 | 8 |
| Interest payable and similar expenses | 9 | (11,483) | (11,270) |
| Profit before taxation | | 222,723 | 14,805 |
| Tax on profit | 10 | (38,398) | (13,592) |
| Profit for the financial year | | 184,325 | 1,213 |

M H JOINERY PRODUCTS PLC**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2018**

| | Notes | 2018 £ | £ | 2017 £ | £ |
|--|-------|--------------------|-------------------------|--------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 2,392,850 | | 2,557,024 |
| Current assets | | | | | |
| Stocks | 13 | 873,963 | | 753,376 | |
| Debtors | 14 | 1,198,607 | | 1,644,521 | |
| Cash at bank and in hand | | 242,677 | | 16,821 | |
| | | <u>2,315,247</u> | | <u>2,414,718</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(1,347,539)</u> | | <u>(1,532,886)</u> | |
| Net current assets | | | <u>967,708</u> | | <u>881,832</u> |
| Total assets less current liabilities | | | <u>3,360,558</u> | | <u>3,438,856</u> |
| Creditors: amounts falling due after more than one year | 16 | | (195,826) | | (290,758) |
| Provisions for liabilities | 20 | | (111,748) | | (87,860) |
| Net assets | | | <u><u>3,052,984</u></u> | | <u><u>3,060,238</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 23 | | 62,320 | | 66,120 |
| Capital redemption reserve | 24 | | 3,800 | | - |
| Profit and loss reserves | 24 | | <u>2,986,864</u> | | <u>2,994,118</u> |
| Total equity | | | <u><u>3,052,984</u></u> | | <u><u>3,060,238</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 19/12/18 and are signed on its behalf by:



Mr A J Saitch
Director

M H JOINERY PRODUCTS PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | Share capital £ | Capital redemption reserve £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|------------------------------------|----------------------------------|------------|
| Balance at 1 July 2016 | | 66,120 | - | 2,992,905 | 3,059,025 |
| Year ended 30 June 2017: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 1,213 | 1,213 |
| Balance at 30 June 2017 | | 66,120 | - | 2,994,118 | 3,060,238 |
| Year ended 30 June 2018: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 184,325 | 184,325 |
| Dividends | 11 | - | - | (26,579) | (26,579) |
| Own shares acquired | | - | - | (165,000) | (165,000) |
| Redemption of shares | 23 | (3,800) | 3,800 | - | - |
| Balance at 30 June 2018 | | 62,320 | 3,800 | 2,986,864 | 3,052,984 |

M H JOINERY PRODUCTS PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|---|-------|-----------------------|---|----------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 25 | 386,972 | | 81,555 | |
| Interest paid | | (11,483) | | (11,270) | |
| Income taxes paid | | (17,535) | | (22,143) | |
| Net cash inflow from operating activities | | <u>357,954</u> | | <u>48,142</u> | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (199,779) | | (139,709) | |
| Proceeds on disposal of tangible fixed assets | | 334,777 | | 42,601 | |
| Interest received | | <u>183</u> | | <u>8</u> | |
| Net cash generated from/(used in) investing activities | | <u>135,181</u> | | <u>(97,100)</u> | |
| Financing activities | | | | | |
| Purchase of own shares | | (165,000) | | - | |
| Movement in invoice financing | | (22,666) | | (22,240) | |
| Proceeds of new bank loans | | - | | 200,000 | |
| Repayment of bank loans | | (119,880) | | (107,574) | |
| Payment of finance leases obligations | | (22,862) | | (13,982) | |
| Dividends paid | | <u>(10,190)</u> | | <u>-</u> | |
| Net cash (used in)/generated from financing activities | | <u>(340,598)</u> | | <u>56,204</u> | |
| Net increase in cash and cash equivalents | | <u>152,537</u> | | <u>7,246</u> | |
| Cash and cash equivalents at beginning of year | | <u>16,821</u> | | <u>9,575</u> | |
| Cash and cash equivalents at end of year | | <u><u>169,358</u></u> | | <u><u>16,821</u></u> | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 242,677 | | 16,821 | |
| Bank overdrafts included in creditors payable within one year | | <u>(73,319)</u> | | <u>-</u> | |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

Company information

M H Joinery Products Plc is a public company limited by shares and is registered and incorporated in England and Wales. The registered office is Unit 11, Parrett Way, Colley Lane Industrial Estate, Bridgwater, Somerset, TA6 5LD.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

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 £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern

No material uncertainties that may cast significant doubt on the ability of the company to continue as a going concern into the foreseeable future have been identified by the directors. The directors have looked at least 12 months from the date of approval of the financial statements. Therefore, the financial statements have been prepared on the going concern basis.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Income is recognised on delivery or fulfilment of the contract where the company has the right to consideration.

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.

Rental income

Rental income on assets leased under operating leases is recognised on a straight-line basis over the lease term and is presented within other operating income.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Tangible fixed assets

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

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies (Continued)

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|------------------------------------|-------------------------------|
| Land and buildings freehold | 2% straight line on buildings |
| Land and buildings short leasehold | 12.5 years straight line |
| Plant and machinery | 15% reducing balance |
| Fixtures, fittings and equipment | 15% and 20% reducing balance |
| Motor vehicles | 25% reducing balance |

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.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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 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.

Basic financial assets

Basic financial assets, which include trade and other 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, 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.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies (Continued)

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.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank loans, 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.

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

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of 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 company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies (Continued)

Employee benefits

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

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

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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 statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement 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 as an expense on a straight line basis over the term of the relevant lease.

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.

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.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

3 Turnover and other revenue

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

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Turnover analysed by class of business | | |
| Joinery | 4,862,655 | 4,195,844 |
| Staircases | 2,142,783 | 2,181,127 |
| | <u>7,005,438</u> | <u>6,376,971</u> |
| | | |
| | 2018 £ | 2017 £ |
| Other revenue | | |
| Interest income | 183 | 8 |
| Rental income | 16,500 | 39,000 |
| | <u>16,683</u> | <u>39,008</u> |
| | | |
| | 2018 £ | 2017 £ |
| Turnover analysed by geographical market | | |
| United Kingdom | <u>7,005,438</u> | <u>6,376,971</u> |

4 Employees

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

| | 2018 Number | 2017 Number |
|----------------------------------|----------------|----------------|
| Manufacturing and administration | 113 | 110 |
| Directors | 4 | 4 |
| | <u>117</u> | <u>114</u> |

Their aggregate remuneration comprised:

| | 2018 £ | 2017 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,839,293 | 2,764,462 |
| Social security costs | 270,491 | 241,007 |
| Pension costs | 37,198 | 34,552 |
| | <u>3,146,982</u> | <u>3,040,021</u> |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

5 Directors' remuneration

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 208,623 | 167,871 |
| Company pension contributions to defined contribution schemes | 1,779 | 1,731 |
| | <u>210,402</u> | <u>169,602</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017: 1).

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

| | 2018 £ | 2017 £ |
|--------------------------------------|---------------|---------------|
| Remuneration for qualifying services | <u>96,931</u> | <u>87,472</u> |

6 Operating profit

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Research and development costs | 8,815 | 4,955 |
| Depreciation of owned tangible fixed assets | 135,801 | 124,825 |
| Depreciation of tangible fixed assets held under finance leases | 26,979 | 12,778 |
| (Profit)/loss on disposal of tangible fixed assets | (62,897) | 5,849 |
| Cost of stocks recognised as an expense | 2,359,738 | 2,216,315 |
| Operating lease charges | <u>180,521</u> | <u>176,042</u> |

7 Auditor's remuneration

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Fees payable to the company's auditor and its associates: | | |
| For audit services | | |
| Audit of the financial statements of the company | <u>13,500</u> | <u>12,800</u> |
| For other services | | |
| Taxation compliance services | 1,655 | 1,575 |
| All other non-audit services | 8,220 | 9,100 |
| | <u>9,875</u> | <u>10,675</u> |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

8 Interest receivable and similar income

| | 2018 | 2017 |
|------------------------|------------|----------|
| | £ | £ |
| Interest income | | |
| Other interest income | 183 | 8 |
| | <u>183</u> | <u>8</u> |

9 Interest payable and similar expenses

| | 2018 | 2017 |
|--|---------------|---------------|
| | £ | £ |
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 8,269 | 11,016 |
| Other finance costs: | | |
| Interest on finance leases and hire purchase contracts | 3,214 | 254 |
| | <u>11,483</u> | <u>11,270</u> |

10 Taxation

| | 2018 | 2017 |
|--|---------------|----------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | 17,264 | 22,305 |
| Adjustments in respect of prior periods | (2,754) | (553) |
| Total current tax | <u>14,510</u> | <u>21,752</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 24,703 | (2,825) |
| Changes in tax rates | - | (5,335) |
| Adjustment in respect of prior periods | (815) | - |
| Total deferred tax | <u>23,888</u> | <u>(8,160)</u> |
| Total tax charge | <u>38,398</u> | <u>13,592</u> |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Profit before taxation | 222,723 | 14,805 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%) | 42,317 | 2,924 |
| Tax effect of expenses that are not deductible in determining taxable profit | 2,507 | 5,128 |
| Adjustments in respect of prior years | (2,754) | (553) |
| Other non-reversing timing differences | - | 336 |
| Deferred tax adjustments in respect of prior years | (815) | - |
| Adjusting deferred tax to closing rate | (2,906) | (4,844) |
| Depreciation - permanent differences | 49 | 10,601 |
| Taxation charge for the year | 38,398 | 13,592 |

The Finance Bill 2016, which has been enacted, reduces the corporation tax rate to 17% for the financial year 2020.

11 Dividends

| | 2018 £ | 2017 £ |
|------------------|-----------|-----------|
| Final paid | 29,150 | - |
| Dividends waived | (2,571) | - |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

12 Tangible fixed assets

| | Land and buildings freehold | Land and buildings short leasehold | Plant and machinery | Fixtures, fittings and equipment | Motor vehicles | Total |
|------------------------------------|-----------------------------------|---|------------------------|--|-------------------|-----------|
| | £ | £ | £ | £ | £ | £ |
| Cost | | | | | | |
| At 1 July 2017 | 2,136,079 | 488,952 | 1,717,538 | 299,247 | 279,374 | 4,921,190 |
| Additions | 37,732 | - | 51,032 | 18,413 | 163,309 | 270,486 |
| Disposals | (260,000) | - | (25,950) | - | (88,997) | (374,947) |
| At 30 June 2018 | 1,913,811 | 488,952 | 1,742,620 | 317,660 | 353,686 | 4,816,729 |
| Depreciation and impairment | | | | | | |
| At 1 July 2017 | 145,560 | 357,524 | 1,438,910 | 267,423 | 154,749 | 2,364,166 |
| Depreciation charged in the year | 14,556 | 35,856 | 47,399 | 10,409 | 54,560 | 162,780 |
| Eliminated in respect of disposals | - | - | (25,326) | - | (77,741) | (103,067) |
| At 30 June 2018 | 160,116 | 393,380 | 1,460,983 | 277,832 | 131,568 | 2,423,879 |
| Carrying amount | | | | | | |
| At 30 June 2018 | 1,753,695 | 95,572 | 281,637 | 39,828 | 222,118 | 2,392,850 |
| At 30 June 2017 | 1,990,519 | 131,428 | 278,628 | 31,824 | 124,625 | 2,557,024 |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

12 Tangible fixed assets (Continued)

Included within the carrying values of land and buildings above are amounts relating to land, which have not been depreciated as required under FRS 102, as follows:

| | 2018 £ | 2017 £ |
|----------|-----------|-----------|
| Freehold | 946,321 | 1,206,321 |

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Motor vehicles | 131,741 | 76,803 |
| Depreciation charge for the year in respect of leased assets | 26,979 | 12,778 |

13 Stocks

| | 2018 £ | 2017 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 757,820 | 627,491 |
| Work in progress | 116,143 | 125,885 |
| | 873,963 | 753,376 |

14 Debtors

| | 2018 £ | 2017 £ |
|--------------------------------------|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,001,021 | 1,458,155 |
| Other debtors | 2,000 | 15,050 |
| Prepayments and accrued income | 195,586 | 171,316 |
| | 1,198,607 | 1,644,521 |

As at 30 June 2018 amounts of £1,001,021 (2017: £1,458,155) were used as security in respect of the invoice financing due in less than one year disclosed in note 17.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

15 Creditors: amounts falling due within one year

| | Notes | 2018 £ | 2017 £ |
|------------------------------------|-------|------------------|------------------|
| Bank loans and overdrafts | 17 | 196,091 | 119,880 |
| Obligations under finance leases | 18 | 36,345 | 16,340 |
| Invoice financing | 17 | 152,175 | 174,841 |
| Trade creditors | | 425,844 | 502,091 |
| Corporation tax | | 19,280 | 22,305 |
| Other taxation and social security | | 242,393 | 279,271 |
| Dividends payable | | 29,150 | 12,761 |
| Other creditors | | 33,004 | 35,849 |
| Accruals and deferred income | | 213,257 | 369,548 |
| | | <u>1,347,539</u> | <u>1,532,886</u> |

16 Creditors: amounts falling due after more than one year

| | Notes | 2018 £ | 2017 £ |
|----------------------------------|-------|----------------|----------------|
| Bank loans and overdrafts | 17 | 135,403 | 258,175 |
| Obligations under finance leases | 18 | 60,423 | 32,583 |
| | | <u>195,826</u> | <u>290,758</u> |

17 Borrowings

| | 2018 £ | 2017 £ |
|-------------------------|----------------|----------------|
| Bank loans | 258,175 | 378,055 |
| Bank overdrafts | 73,319 | - |
| Invoice financing | 152,175 | 174,841 |
| | <u>483,669</u> | <u>552,896</u> |
| Payable within one year | 348,266 | 294,721 |
| Payable after one year | 135,403 | 258,175 |

The bank loans and overdrafts totalling £331,494 (2017: £378,055) are secured by fixed and floating charges over the assets of the company. Interest is payable at 1.95% over base rate. The loans are repayable over 5 years by monthly instalments.

Invoice financing totalling £152,175 (2017: £174,841) are secured over specific trade debtor balances as disclosed in note 14. Interest is payable at 2.5% over base rate.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

18 Finance lease obligations

| | 2018 £ | 2017 £ |
|---|----------------|---------------|
| Future minimum lease payments due under finance leases: | | |
| Less than one year | 39,728 | 18,764 |
| Between one and five years | 62,947 | 34,411 |
| | <u>102,675</u> | <u>53,175</u> |
| Less: future finance charges | (5,907) | (4,252) |
| | <u>96,768</u> | <u>48,923</u> |

Finance lease payments represent rentals payable by the company for certain motor vehicles. 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. All finance lease agreements are secured over the assets concerned.

19 Financial instruments

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | <u>1,114,276</u> | <u>1,578,113</u> |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | <u>1,143,412</u> | <u>1,193,408</u> |

20 Provisions for liabilities

| | Notes | 2018 £ | 2017 £ |
|--------------------------|-------|----------------|---------------|
| Deferred tax liabilities | 21 | <u>111,748</u> | <u>87,860</u> |

21 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 | 115,815 | 88,922 |
| Other timing differences | (4,067) | (1,062) |
| | <u>111,748</u> | <u>87,860</u> |

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

21 Deferred taxation (Continued)

| | 2018 £ |
|-------------------------------|----------------|
| Movements in the year: | |
| Liability at 1 July 2017 | 87,860 |
| Charge to profit or loss | 23,888 |
| Liability at 30 June 2018 | <u>111,748</u> |

22 Retirement benefit schemes

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>37,198</u> | <u>34,552</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.

At the year end included in other creditors was £7,924 (2017: £6,251) for amounts outstanding in respect of defined contribution schemes.

23 Share capital

| | 2018 £ | 2017 £ |
|-----------------------------------|---------------|---------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 62,320 Ordinary shares of £1 each | <u>62,320</u> | <u>66,120</u> |
| | <u>62,320</u> | <u>66,120</u> |

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Reconciliation of movements during the year:

| | Ordinary Number |
|------------------------|--------------------|
| At 1 July 2017 | 66,120 |
| Purchase of own shares | (3,800) |
| At 30 June 2018 | <u>62,320</u> |

During the year the company purchased 3,800 ordinary shares of £1 nominal value for consideration of £165,000 consideration. The shares were purchased for cancellation and represent 5.75% of the called-up share capital of the company.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

24 Reserves

Capital redemption reserve

The nominal value of shares repurchased.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

25. Cash generated from operations

| | 2018 £ | 2017 £ |
|--|----------------|---------------|
| Profit for the year after tax | 184,325 | 1,213 |
| Adjustments for: | | |
| Taxation charged | 38,398 | 13,592 |
| Finance costs | 11,483 | 11,270 |
| Investment income | (183) | (8) |
| (Gain)/loss on disposal of tangible fixed assets | (62,897) | 5,849 |
| Depreciation and impairment of tangible fixed assets | 162,780 | 137,603 |
| Movements in working capital: | | |
| (Increase) in stocks | (120,587) | (137,183) |
| Decrease/(increase) in debtors | 445,914 | (47,439) |
| (Decrease)/increase in creditors | (272,261) | 96,658 |
| Cash generated from operations | 386,972 | 81,555 |

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 | 171,115 | 151,652 |
| Between one and five years | 566,237 | 603,304 |
| In over five years | - | 100,000 |
| | 737,352 | 854,956 |

At the reporting end date the total future minimum sublease payments expected to be received under non-cancellable subleases was £4,667 (2017: £221,000), being £1,000 per annum (2017: £39,000 per annum) until the end of the lease in February 2023.

M H JOINERY PRODUCTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

| | 2018 £ | 2017 £ |
|------------------------|-----------|-----------|
| Aggregate compensation | 233,808 | 189,396 |

Transactions with related parties

During the year the company entered into the following transactions with related parties:

| | Sales | | Purchases | |
|--|-----------|-----------|-----------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Entities over which the entity has control, joint control or significant influence | 1,056 | 8,216 | - | 8,072 |

The following amounts were outstanding at the reporting end date:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Amounts due to related parties | | |
| Entities over which the entity has control, joint control or significant influence | - | 2,100 |
| Key management personnel | 75,331 | 21,730 |

The following amounts were outstanding at the reporting end date:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Amounts due from related parties | | |
| Entities over which the entity has control, joint control or significant influence | 1,267 | 6,498 |

28 Directors' transactions

During the year dividends totalling £29,150 (2017: £nil) were declared to directors of the company and the directors waived dividends of £1,838 (2017: £nil). As at 30 June 2018 dividends were due to directors totalling £29,150 (2017: £12,028).

29 Controlling party

The ultimate controlling party is deemed to be Mr A J Saitch by virtue of his majority shareholding.