Registered number: 00147014

John Hogg Technical Solutions Limited

Annual report and financial statements

For the year ended 30 April 2018

John Hogg Technical Solutions Limited

Contents

John Hogg Technical Solutions Limited

Company information

Directors	R M Webb (Chairman) I K Webb W R Webb S Wright Dr P J Double
Company secretary	L Case
Registered number	00147014
Registered office	Mellors Road Newbridge Trafford Park Manchester M17 1PB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR
Bankers	Natwest Bank plc Third Avenue Trafford park Manchester M17 1NW

Strategic report
For the year ended 30 April 2018

The directors present their Strategic report on the company for the year ended 30 April 2018.

Principal activities

The principal activities of the company are the manufacture and marketing of dyestuffs and markers to the petroleum industry.

Business review and future developments

The directors consider the results for the year and the position of the company at the year end to be satisfactory and expect the company to maintain its present level of activity in the foreseeable future.

Further commentary is provided in the Directors' report of the ultimate parent undertaking, John Hogg & Co. Limited.

Key performance indicators

The directors' consider the key performance indicators to be turnover and operating profit. The past two years' performance is summarised below:

	2018	2017
	£	£
Turnover	**22,903,949**	20,952,818
Operating profit	**2,568,639**	1,929,575

Performance and position

The profit for the financial year was £2,211,736 (2017: £1,677,836) and its net assets were £15,280,775 (2017: £13,907,957).

Employees

Employees are encouraged to participate at all levels within the business and the company operates a performance related remuneration scheme.

All individuals wishing to join the company are considered on an equal basis and due recognition is given to both social and legal obligations in respect of disabled persons. The company has continued to put great emphasis on good safety performance, and the introduction of quality throughout all aspects of its business. The benefits of such a policy are now being realised and will continue as appropriate systems evolve.

The company aims to encourage and assist all individuals in the business to fully develop their potential. There is a strong belief in the value of training and the need for good communication within the company.

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

Human resources

The company's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested in relevant employment training and development and has in place appropriate incentive and career progression arrangements.

John Hogg Technical Solutions Limited

Strategic report (continued)
For the year ended 30 April 2018

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, foreign exchange risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The directors have set out how these risks are managed in the directors' report.

This report was approved by the board and signed by order of the board.

L. Case

L Case
Company secretary

1 August 2018

John Hogg Technical Solutions Limited

Directors' report
For the year ended 30 April 2018

The directors present their report and the audited financial statements of the company for the year ended 30 April 2018.

Results and dividends

The profit for the financial year amounted to £2,211,736 (2017: £1,677,836).

A dividend of £838,918 (2017: £325,435) was paid during the year. The directors do not recommend the payment of a final dividend (2017: £Nil).

Future developments

The section on future developments which is detailed in the Strategic report is included in this report by cross reference.

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were:

~~R M Webb (Chairman)~~
I K Webb
W R Webb
S Wright
Dr P J Double

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operation change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in Sterling, the company is exposed to some foreign exchange risk in the normal course of business, principally on purchases and sales in Euros and US Dollars.

Credit risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposure to customers. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the Board. The financial position of banks and financial institutions utilised is regularly assessed by the Board of directors.

Directors' report (continued)
For the year ended 30 April 2018

Financial risk management (continued)

Liquidity risk

The company actively maintains a mixture of long term and short term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets consist of cash balances and loans to group undertakings which earn interest at variable rates. Interest bearing liabilities consist of bank loans on which the company pays interest at variable rates and other loans, including loans from group undertakings on which the company pays interest at fixed rates. The company has a policy of maintaining debt at a mixture of fixed and variable rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

John Hogg Technical Solutions Limited

Directors' report (continued)
For the year ended 30 April 2018

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

L. Case

L Case
Company secretary

1 August 2018

Independent auditors' report to the members of John Hogg Technical Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion, John Hogg Technical Solutions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 30 April 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect to the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Brenda Heenan

Brenda Heenan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

1 August 2018

John Hogg Technical Solutions Limited

Statement of comprehensive income
For the year ended 30 April 2018

	Note	2018 £	2017 £
Turnover	5	**22,903,949**	20,952,818
Net operating expenses		**(20,335,310)**	(19,023,243)
Operating profit	6	**2,568,639**	1,929,575
Interest receivable and similar income	9	**62,268**	45,341
Interest payable and similar expenses	10	**(5,450)**	(1,097)
Profit before tax		**2,625,457**	1,973,819
Tax on profit	12	**(413,721)**	(295,983)
Profit for the financial year		**2,211,736**	1,677,836

There was no other comprehensive income for 2018 (2017: £ Nil).

The notes on pages 13 to 27 form part of these financial statements.

John Hogg Technical Solutions Limited
Registered number: 00147014

Balance sheet
As at 30 April 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	13		**662,757**		-
Tangible assets	14		**2,357,459**		2,679,299
Investments	15		**2**		2
			3,020,218		2,679,301
Current assets					
Stocks	16	**3,431,309**		3,444,856	
Debtors	17	**11,609,114**		10,941,622	
Cash at bank and in hand		**2,792,165**		1,273,867	
		17,832,588		15,660,345	
Creditors: amounts falling due within one year	18	**(5,524,135)**		(4,336,348)	
Net current assets			**12,308,453**		11,323,997
Total assets less current liabilities			**15,328,671**		14,003,298
Provisions for liabilities					
Deferred tax	19		**(47,896)**		(95,341)
Net assets			**15,280,775**		13,907,957
Capital and reserves					
Called up share capital	20		**105,264**		105,264
Share premium account			**42,114**		42,114
Capital redemption reserve			**2,500**		2,500
Retained earnings			**15,130,897**		13,758,079
Total shareholders' funds			**15,280,775**		13,907,957

The financial statements on pages 10 to 27 were approved and authorised for issue by the board and were signed on its behalf by:

W R Webb
Director

S Wright
Director

1 August 2018

The notes on pages 13 to 27 form part of these financial statements.

John Hogg Technical Solutions Limited

Statement of changes in equity
For the year ended 30 April 2018

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total shareholders' funds
	£	£	£	£	£
At 1 May 2017	105,264	42,114	2,500	13,758,079	13,907,957
Comprehensive income for the year					
Profit for the financial year	-	-	-	2,211,736	2,211,736
Total comprehensive income for the year	-	-	-	2,211,736	2,211,736
Dividends paid (note 11)	-	-	-	(838,918)	(838,918)
Total transactions with owners	-	-	-	(838,918)	(838,918)
At 30 April 2018	105,264	42,114	2,500	15,130,897	15,280,775

Statement of changes in equity
For the year ended 30 April 2017

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total shareholders' funds
	£	£	£	£	£
At 1 May 2016	105,264	42,114	2,500	12,405,678	12,555,556
Comprehensive income for the year					
Profit for the financial year	-	-	-	1,677,836	1,677,836
Total comprehensive income for the year	-	-	-	1,677,836	1,677,836
Dividends paid (note 11)	-	-	-	(325,435)	(325,435)
Total transactions with owners	-	-	-	(325,435)	(325,435)
At 30 April 2017	105,264	42,114	2,500	13,758,079	13,907,957

The notes on pages 13 to 27 form part of these financial statements.

Notes to the financial statements
For the year ended 30 April 2018

1. General information

The principal activities are the manufacture and marketing of dyestuffs and markers to the petroleum industry.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of the registered office is Mellors Road, Newbridge, Trafford Park, Manchester, M17 1PB.

2. Statement of compliance

The individual financial statements of John Hogg Technical Solutions Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 4).

Certain comparative amounts in the financial statements have been reclassified to conform to changes in presentation in the current year.

The following principal accounting policies have been applied:

3.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, John Hogg & Company Limited, includes the company's cash flows in its own consolidated financial statements;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and 12.26 to 12.29, as the information is provided in the consolidated statement disclosure;
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7; and
- from disclosing related party transactions, under FRS 102 paragraph 33.1A on the basis that it is a qualifying entity and this is disclosed in its parent's financial statements.

3. Accounting policies (continued)

3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts aid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. Other intangible assets are amortised over 2 to 3 years.

3. Accounting policies (continued)

3.5 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%-5% straight-line
Plant and machinery	-	10%-50% straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

3.6 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

3.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3. Accounting policies (continued)

3.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on an average weighted cost basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.10 Cash and cash equivalents

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

3.11 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

3. Accounting policies (continued)

3.11 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the Balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

3.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

3.14 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3. **Accounting policies (continued)**

3.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit schemes

The company is a member of the John Hogg & Co Limited Retirement Benefits Scheme. As there is no contractual agreement nor stated policy for the group to recharge net defined benefit cost of a defined benefit scheme as a whole to subsidiary undertakings, the company recognises the net defined benefit cost actually charged during the year. Accordingly the company treats the contributions to the defined benefit scheme on a defined contribution scheme basis.

3.16 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

3.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

3.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

3. Accounting policies (continued)

3.19 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated useful economic life of the benefits arising from the completed product or project. Expenditure on research is charged against profit in the period in which it is incurred.

3.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown as equity as a deduction, net of tax, from the proceeds.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

There are no critical judgements in the application of accounting policies.

(b) Key accounting estimates and assumptions

There are no key accounting estimates and assumptions.

5. Turnover

The whole of the turnover is attributable to the company's principal activities.

Turnover relates to the company's main activity which is carried out in the United Kingdom. The directors have not provided a further breakdown of this turnover as they deem it would be seriously prejudicial to the company.

6. Operating profit

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

	2018 £	2017 £
Inventory recognised as an expense	**18,127,921**	16,176,804
Depreciation of tangible assets	**309,277**	396,235
Amortisation of intangible assets	**149,030**	-
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	**15,600**	15,600
Fees payable to the company's auditors for other services	**3,000**	6,000
Research and development costs	**572,737**	379,199
Staff costs (note 7)	**2,390,539**	2,205,481
Loss on sale of tangible assets	**4,667**	154,412
Foreign exchange gains	**(396,794)**	(380,172)

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	**2,026,579**	1,891,918
Social security costs	**215,928**	201,834
Other pension costs	**148,032**	111,729
	2,390,539	2,205,481

The average monthly number of employees, including the directors, employed by the company by activity during the year was as follows:

	2018 Number	2017 Number
Full time	**50**	46

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**348,939**	269,874
Company contributions to defined contribution pension schemes	**32,973**	19,634
	381,912	289,508

During the year retirement benefits were accruing to 3 directors (2017: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £125,173 (2017: £115,665).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £12,162 (2017: £9,751).

The directors of the company are considered key management.

9. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from group companies	**62,268**	45,341

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	**5,450**	1,097

11. Dividends

	2018 £	2017 £
Dividends paid of £7.97 (2017: £3.09) per ordinary share	**838,918**	325,435

12. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	**443,505**	313,504
Adjustments in respect of previous periods	**17,661**	(106,995)
Total current tax	**461,166**	206,509
Deferred tax		
Origination and reversal of timing differences	**(23,130)**	19,818
Adjustments in respect of previous years	**(26,750)**	77,172
Changes in tax rates and laws	**2,435**	(7,516)
Total deferred tax	**(47,445)**	89,474
Tax on profit	413,721	295,983

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.92%). The differences are explained below:

	2018 £	2017 £
Profit before tax	**2,625,457**	1,973,819
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.92%)	**498,837**	393,141
Effects of:		
Expenses not deductible for tax purposes	**14,423**	38,368
Adjustments to tax charge in respect of previous periods	**(9,089)**	(29,823)
Effects of other tax rates/credits	**2,435**	(7,516)
R&D Relief	**(92,885)**	-
Non-taxable income	**-**	(98,187)
Total tax charge for the year	**413,721**	295,983

Factors that may affect future tax charges

The main rate of corporation tax will be aligned with the small profits rate at 20% with effect from 1 April 2015. Changes to the UK corporation tax rates were enacted as part of the Finance (No.2) Act 2015 which received Royal Assent on 18 November 2015. These include reductions to reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. It has also recently been enacted in September 2016 that the corporation tax rate will go down to 17% from 1 April 2020, rather than the planned 18% tax rate.

13. Intangible assets

	Other intangible assets £	Goodwill £	Total £
Cost			
At 1 May 2017	-	4,156,129	4,156,129
Additions	811,787	-	811,787
At 30 April 2018	811,787	4,156,129	4,967,916
Accumulated amortisation			
At 1 May 2017	-	4,156,129	4,156,129
Charge for the year	149,030	-	149,030
At 30 April 2018	149,030	4,156,129	4,305,159
Net book value			
At 30 April 2018	662,757	-	662,757
At 30 April 2017	-	-	-

14. Tangible assets

	Freehold property £	Plant and machinery £	Total £
Cost			
At 1 May 2017	2,447,079	2,122,806	4,569,885
Additions	-	226,344	226,344
Disposals	(153,000)	(90,733)	(243,733)
At 30 April 2018	2,294,079	2,258,417	4,552,496
Accumulated depreciation			
At 1 May 2017	314,615	1,575,971	1,890,586
Charge for the year	43,624	265,653	309,277
Disposals	-	(4,826)	(4,826)
At 30 April 2018	358,239	1,836,798	2,195,037
Net book value			
At 30 April 2018	1,935,840	421,619	2,357,459
At 30 April 2017	2,132,464	546,835	2,679,299

15. Investments

	Investments in subsidiary company £
Cost	
At 1 May 2017	2
At 30 April 2018	2
Net book value	
At 30 April 2018	2
At 30 April 2017	2

The directors believe that the carrying value of investments is supported by underlying net assets.

Notes to the financial statements
For the year ended 30 April 2018

15. Investments (continued)

Subsidiary undertakings

The company's subsidiary undertaking is:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Ditag Markers Limited	United Kingdom	Ordinary	100%	Dormant

The registered office of Ditag Markers is Mellors Road, Newbridge, Trafford Park, Manchester, M17 1PB.

16. Stocks

	2018	2017
	£	£
Raw materials and consumables	**2,750,370**	2,849,975
Finished goods and goods for resale	**680,939**	594,881
	3,431,309	3,444,856

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks are stated after provisions for impairment totalling £1,208,684 (2017: £1,132,551).

17. Debtors

	2018	2017
	£	£
Trade debtors	**4,113,260**	2,696,041
Amounts owed by group undertakings	**5,600,000**	6,500,000
Other debtors	**1,572,499**	1,507,135
Prepayments and accrued income	**323,355**	238,446
	11,609,114	10,941,622

Amounts due by group undertakings are unsecured, pay interest at 1%, have no fixed repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment totalling £Nil (2017: £90,000).

18. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	**457,740**	204,292
Trade creditors	**2,733,590**	2,205,752
Corporation tax	**461,166**	162,921
Other tax and social security	**68,090**	61,559
Other creditors	**879,174**	838,091
Accruals and deferred income	**924,375**	863,733
	5,524,135	4,336,348

19. Deferred taxation

	2018 £	2017 £
At beginning of year	**(95,341)**	(5,867)
Charged to the statement of comprehensive income	**47,445**	(89,474)
At end of year	**(47,896)**	(95,341)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	**(47,896)**	(95,341)

20. Called up share capital

	2018 £	2017 £
Allotted and fully paid		
105,264 (2017: 105,264) Ordinary shares of £1 each	**105,264**	105,264

21. Capital and reserves

Capital redemption reserve

Upon a purchase of own shares by the company, out of a distributable reserves, an amount equal to the nominal value of the share capital purchased was transferred to the capital redemption reserve.

22. Pension Commitments

The company participates in a pension scheme operated by John Hogg & Co. Limited. The scheme is a funded scheme of the defined benefit type with assets held in separate trustee administered funds. The scheme provides retirement benefits on the basis of members' final salary and is closed to new entrants.

The most recent actuarial valuation of the scheme was at 30 April 2018. The valuation used the projected unit method and was carried out by Deloitte, professionally qualified actuaries. The actuarial valuation showed a decrease in the deficit of the Scheme from £8.273m to £6.204m. The current service cost will increase as members approach retirement.

The agreed contribution rate per the latest actuarial report is 17% of pensionable salaries.

The contributions made to the scheme in the year were £148,032 (2017: £111,729). At the year end, contributions of £16,837 (2017: £15,792) representing the unpaid contributions for April 2018 were outstanding.

The fair value of plan assets was:

	2018 £'000	2017 £'000
Equities	**3,220**	4,057
Corporate Bonds	**6,431**	5,408
Government Bonds	**-**	714
Annuities	**2,836**	3,059
Property	**2,710**	2,710
Cash	**929**	63
	16,126	16,011

23. Commitment on behalf of group companies

The company has entered into unlimited guarantees in respect of group overdraft facilities. The directors do not anticipate any loss to the company arising from this guarantee.

24. Related party transactions

The company has taken advantage of the exemptions under paragraph 33.1A from the provisions of FRS 102, on the grounds that all of the voting rights of the company are controlled within the group.

25. Immediate and ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking, and the undertaking of the smallest and largest group undertakings of which the company is a member and for which consolidated financial statements are prepared is John Hogg & Co. Limited, a company incorporated in Northern Ireland. Copies of the group financial statements are available to the public from the Companies Registry, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, BT2 8BG.

The ultimate controlling parties are the shareholders of John Hogg & Co. Limited.