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Company Registration No. 00207104 (England and Wales)

RENOLIT Cramlington Limited

Annual Report And Financial Statements

For The Year Ended 31 December 2019

RENOLIT CRAMLINGTON LIMITED

COMPANY INFORMATION

Directors	Mr D S Hall	
	Mr M T Kundel	
	Mr S M Wilson	
	Mr M K Jaenicke	(Appointed 16 May 2019)
Secretary	Mr S M Wilson	
Company number	00207104	
Registered office	Station Road Cramlington Northumberland NE23 8AQ	
Auditor	Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ	

RENOLIT CRAMLINGTON LIMITED

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RENOLIT CRAMLINGTON LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business
2019 was a year of significant risk and challenges, focused mainly around the BREXIT uncertainty. Preparations commenced in prior years but the start of 2019 saw a considerable stock build in both Cramlington and around the RENOLIT group to avoid any service disruption for the business or our customers. This resulted in a very strong first quarter of 2019 but a suppressed second and relatively stable second half of the year despite the ongoing uncertainty.

It is likely that if tariffs and trade restrictions are applied we will be faced with a need to reorganise the business. This will also set us in a new and different direction to our existing medium term plan. However we remain hopeful that in the end the process of leaving the EU finds a smooth path and the risks of an uncontrolled BREXIT reduce so we can carry on with our growth plans. We also remain encouraged by the opportunities available in our markets which should help to build on the additional capacity put in place in recent years.

A changing product mix, the need to change our distribution channels in preparation for BREXIT, as well as higher energy costs, have applied downward pressure on product margins.

The company did see its operating expenses return to more normal levels after the 2018 implementation of SAP and COAGO systems which saw costs spike significantly.

Principal risks and uncertainties
The company is subject to the usual competitive risks in respect of customer and supplier behaviour and the resultant impact on sales pricing and volumes, as well as the availability and cost of raw materials. These risks are continually reviewed by local and group management and action taken as required. The plans to cope with the potential chaos following a no deal BREXIT are a good example of this. The coordination and support from the RENOLIT group helped to increase security of supply throughout a difficult year.

The risk of events which could have a significant impact on our ability to operate and service our customers are assessed systematically throughout the year. Risk reduction actions as well as business continuity options are discussed and actioned with the management team. The risks are further reduced by alternative machine routes available at Cramlington in the event of a major failure and also the back up production facilities at other RENOLIT locations across Europe.

The largest uncertainty and risk remains related to BREXIT, the threat of a no deal and uncontrolled exit from the EU on the 31st December 2020 cannot be ruled out. Whilst we hope that a free trade deal is agreed, and tariffs avoided, we will continue to plan our stocks accordingly which does bring increased risk of obsolescence.

Key performance indicators
Total sales grew by £1.1m (1.5%) to £72.2m with the UK growing in both main Business Units, we believe partially helped by customers looking to secure UK manufacturing amid the BREXIT uncertainty. A reduced depreciation charge relating to production equipment helped boost the gross margin to 25.0% (2018: 23.6%) despite a worsening product mix.

Operating profit grew to £6.7m (2018: £5.8m) representing 9.4% of sales (2018: 8.1%). ROCE grew to 23.3% (2018: 21.5%).

Other information and explanations
With the exception of foreign exchange, the company does not actively use financial instruments as part of its financial risk management. The company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through appropriate credit control procedures. The nature of these financial instruments means that the company is not subject to a price risk or liquidity risk other than as set out below. The company undertakes significant sales and purchases in foreign currencies, especially the Euro and US$, which exposes it to foreign exchange rate risk. This risk is managed through the use of Euro and US$ current accounts although company sales in Euros are consistently in excess of purchases. Where appropriate, forward exchange contracts are also considered with a view to further managing exchange risk.

As environmental awareness and requirements increase over time, it is also pleasing to report that we continue to be certified to the ISO14001 and ISO50001 standards and along with the OHSAS 18001 and ISO 9001 these help ensure we have appropriate systems in place to control environmental aspects, health and safety and quality to reduce impacts and ensure legal compliance. Migration to the new ISO45001 is planned for April this year.

Directors' duties & responsibilities
Following the completion of our 2020 Vision Medium Term Plan, RENOLIT as a group has embarked on a new strategic review. ONE RENOLIT 2025 is now in the implementation phase, with the Mission Statements, descriptions of current status, future target status 2025 with strategic cornerstones and business cases modelled. ONE RENOLIT 2025 will ensure across the group and Business Units the long term decisions are coordinated with the Cramlington site. These will include planned capacity changes, product mix and structures.

The Employee Engagement Survey is not envisaged in 2020, however this will be a clear goal of the new strategy. The board in Cramlington monitor employee engagement and is committed to ensuring increased employee engagement in 2020. This will be through increased communication and wider involvement in business improvement through operational excellence teamwork. Career development opportunities have already been developed. We are aiming to replace the current Charity Committee made up of employees with a "Community Engagement Committee" which in addition to deciding on charitable donations, will focus on local engagement activities with our neighbours and local schools. The Company has developed a successful employee assistance programme and established mental health first aid and will aim to achieve the Better Health at Work Gold Award in 2020.

The Company relies on good working relationships with customers and suppliers and relies on these to ensure success. As a group we have a reputation for reliability, trustworthiness, open mindedness and cooperation with customers and suppliers alike. These qualities are highly valued by the Company and our partners.

Through the above mentioned accreditations we are able to demonstrate robust systems and our commitment to continuously review and improve the impact of the Company's operations on the environment. The accreditations also ensure we keep our reputation for high standards of business conduct in terms of Health and Safety and Quality.

On behalf of the board

DSHall
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Mr D S Hall
Director 4/2/2020
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities
The main activity of the company during the year was the manufacture and sale of flexible decorative surface materials. The main product area continues to be decorative laminates made primarily from PVC. End uses for these products include kitchen and bedroom cabinet doors, window frames and mobile home and caravan interiors. The company also distributes PVC waterproofing membranes, principally for the single ply roofing market.

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

Mr D S Hall	
Mr M T Kundel	
Mr S M Wilson	
Mr P P M Winant	(Resigned 16 May 2019)
Mr M K Jaenicke	(Appointed 16 May 2019)

Results and dividends
The results for the year are set out on page 8.

Dividends totalling £3,500,000 (2018: £2,500,000) were paid to the immediate parent company, RENOLIT (U.K.) Limited.

Business relationships
The directors continually discuss the relationships with both customers and suppliers alike. As trusted partners to the company, the directors consider it critical that we support our partners where appropriate, with that demonstrated during the year by increasing our working capital investment due to Brexit to ensure minimal *disruption to operations at all partners. By doing so, customer service levels have remained at a very high level* at a time of significant external risk factors and a volatile political environment.

The company's current policy concerning the payment of trade payables is to:
-settle the terms of payment with suppliers when agreeing the terms of each transaction;
-ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
-pay in accordance with the company's contractual and other legal obligations.

Research and development
The company continues to investigate new production methods and materials to both improve the quality and performance of existing products and provide opportunities for the introduction of new products.

Disabled persons
The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement
The company's policy is to consult and discuss with employees, through unions and at meetings, matters likely to affect employees' interests.

The directors ensure information of matters of concern to employees is given through presentations, monthly briefs and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Future developments
After a year that involved the significant risks around BREXIT, the company is still keeping a watchful eye on developments. During the year the need to maintain higher levels of stock both in the UK and abroad led to significantly increased costs and disruption.

Over the medium to long term imposition of tariffs or other restrictions on the company's ability to trade with the EU or other Customs Union linked countries, such as Turkey, will inevitably lead to a need to review the company's strategy and future direction. Any reorganisation that this entails will be completed with the full support of the RENOLIT group and consider the ongoing needs of all Business Units.

Auditor
The auditor, Garbutt & Elliott Audit Limited, 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, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

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Mr D S Hall
Director

Date: 4/2/2020

RENOLIT CRAMLINGTON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and.explained in the financial statements;
- 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 RENOLIT CRAMLINGTON LIMITED

Opinion
We have audited the financial statements of RENOLIT Cramlington Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Garbutt & Elliott Audit Ltd.

Alan Sidebottom (Senior Statutory Auditor)
for and on behalf of Garbutt & Elliott Audit Limited

5-2-2020

Chartered Accountants
Statutory Auditor

Triune Court
Monks Cross Drive
York
YO32 9GZ

RENOLIT CRAMLINGTON LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Revenue	3	72,157	71,059
Cost of sales		(54,137)	(54,297)
Gross profit		18,020	16,762
Distribution costs		(1,369)	(1,372)
Administrative expenses		(9,885)	(9,636)
Other operating income		2	15
Operating profit	4	6,768	5,769
Investment income	7	12	4
Finance costs	8	(30)	1
Profit before taxation		6,750	5,774
Tax on profit	9	(1,290)	(1,062)
Profit and total comprehensive income for the financial year		5,460	4,712

The income statement has been prepared on the basis that all operations are continuing operations.

RENOLIT CRAMLINGTON LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11		844		1,077
Property, plant and equipment	12		7,275		8,956
			8,119		10,033
Current assets					
Inventories	13	10,392		10,888	
Trade and other receivables	14	11,897		11,807	
Cash and cash equivalents		5,130		2,915	
		27,419		25,610	
Current liabilities	15	(6,513)		(8,852)	
Net current assets			20,906		16,758
Total assets less current liabilities			29,025		26,791
Non-current liabilities	16		(223)		(143)
Provisions for liabilities	17		(1,222)		(1,028)
Net assets			27,580		25,620
Equity					
Called up share capital	20		10,000		10,000
Share premium account			514		514
Retained earnings			17,066		15,106
Total equity			27,580		25,620

The financial statements were approved by the board of directors and authorised for issue on 4/2/20
and are signed on its behalf by:

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Mr S M Wilson
Director

Company Registration No. 00207104

RENOLIT CRAMLINGTON LIMITED

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

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018		10,000	514	12,894	23,408
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	4,712	4,712
Dividends	**10**	-	-	(2,500)	(2,500)
Balance at 31 December 2018		10,000	514	15,106	25,620
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	5,460	5,460
Dividends	**10**	-	-	(3,500)	(3,500)
Balance at 31 December 2019		10,000	514	17,066	27,580

1 Accounting policies

Company information

RENOLIT Cramlington Limited is a private company limited by shares incorporated in England and Wales. The registered office is Station Road, Cramlington, NE23 8AQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with "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 £1,000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

On the grounds that the company's results are consolidated into its ultimate parent, as noted below, the company has taken advantage of certain exemptions conferred by section 1.11 of FRS 102 as follows:

- Exemption from presenting a statement of cashflows as a primary note to the financial statements.

The company has also taken advantage of the exemptions conferred by section 33.1A of FRS 102 allowing it to not disclose transactions and balances within its group, on the grounds that those entities are related by virtue of having the same control as defined in 33.1A(b).

The immediate parent company is RENOLIT (U.K.) Ltd.

The ultimate parent company and controlling party is JM Industriebeteiligungen GmbH & Co. KGaA, a company incorporated in Germany, which prepares group financial statements that can be obtained from JM Industriebeteiligungen, Horchheimer Strasse 50, 67547 Worms, Germany.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Turnover represents revenue from sales of products, after deduction of Value Added Tax and is recognised on dispatch.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 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.

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 10 years straight line

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold buildings	40 years straight line
Plant and machinery	3 to 10 years straight line
Fixtures, fittings and equipment	3 to 10 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

No depreciation is provided on land and assets under construction.

1.7 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1 Accounting policies (Continued)

1.8 Inventories

Inventories 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 inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories 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.

1.9 Cash and cash equivalents

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

1.10 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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 payables, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

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

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.

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

1 Accounting policies **(Continued)**

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 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 non-current assets.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

1.15 Retirement benefits

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

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Foreign exchange

Transactions denominated in foreign currency are translated at the rate of exchange ruling at the start of the month the transaction occurred. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Exchange differences arising on retranslation are included in the profit and loss account in the year in which they occur.

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical estimates

Inventories

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

Inventory overhead cost absorption

The company converts raw materials to finished goods. Inventory values include any costs such as labour and overheads attributable to generating finished goods, as management believe this is the most suitable costing method to take into account the matching concept of accounting.

Depreciation of tangible assets

Depreciation policies have been set according to management's experience and judgement of the useful lives of the assets in each category, something which is reviewed annually.

The company incurs expenditure on creating tangible fixed assets for use in the primary trade. The cost is determined by reference to the direct attributable costs which bring the fixed asset to working condition for its intended use, with costs being incurred over several months. Management believe it is possible to segregate these costs into identifiable projects, and as such no depreciation is charged on that project until it is bought into use. This expenditure is therefore capitalised as a fixed asset and depreciated in line with the relevant depreciation policy.

2 Judgements and key sources of estimation uncertainty (Continued)

Warranty provision

Warranty provisions are calculated as a percentage of the average annual sales figures, based upon group wide historic warranty claims data, and included as an expense within sales.

3 Revenue

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

	2019	2018
	£'000	£'000
Turnover		
Sale of goods	72,157	71,059

Revenue analysed by geographical market

	2019	2018
	£'000	£'000
UK and Channel Islands	39,335	37,929
Rest of Europe	25,238	25,979
Rest of the World	7,584	7,151
	72,157	71,059

4 Operating profit

	2019	2018
Operating profit for the year is stated after charging/(crediting):	£'000	£'000
Exchange losses/(gains)	183	(62)
Research and development costs	718	641
Depreciation of owned property, plant and equipment	2,486	2,891
Loss on disposal of property, plant and equipment	4	5
Amortisation of intangible assets	264	252
Operating lease charges	120	115

Included in research and development costs above, is a £718,000 (2018 - £641,000) reallocation of wages, which is also included in note 6.

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2019 £'000	2018 £'000
For audit services		
Audit of the financial statements of the company	28	34
For other services		
Audit-related assurance services	14	-
Taxation compliance services	3	3
All other non-audit services	1	1
	18	4

6 Employees

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

	2019 Number	2018 Number
Production	240	248
Marketing, selling and distribution	50	49
Administration	23	23
	313	320

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	11,481	11,255
Social security costs	1,207	1,151
Pension costs	2,197	2,080
	14,885	14,486

7 Investment income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	12	4

(Continued)

7 Investment income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	12	4

8 Finance costs

	2019 £'000	2018 £'000
Other finance costs:		
Unwinding of discount on provisions	18	(1)
Other interest	12	-
	30	(1)

9 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	1,273	1,396
Adjustments in respect of prior periods	35	(2)
Total current tax	1,308	1,394
Deferred tax		
Origination and reversal of timing differences	(18)	(332)
Total tax charge	1,290	1,062

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

	2019 £'000	2018 £'000
Profit before taxation	6,750	5,774
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,283	1,097
Adjustments in respect of prior years	35	(2)
Other tax adjustments	(28)	(33)
Taxation charge for the year	1,290	1,062

10 Dividends

	2019 Per share £	2018 Per share £	2019 Total £'000	2018 Total £'000
Ordinary				
Interim paid	0.35	0.25	3,500	2,500
Total dividends				
Interim paid			3,500	2,500

11 Intangible fixed assets

	Software £'000
Cost	
At 1 January 2019	1,408
Additions	32
At 31 December 2019	1,440
Amortisation and impairment	
At 1 January 2019	332
Amortisation charged in the year	264
At 31 December 2019	596
Carrying amount	
At 31 December 2019	844
At 31 December 2018	1,076

12 Property, plant and equipment

	Freehold buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 January 2019	6,486	34,397	2,381	43,264
Additions	8	790	49	847
Disposals	-	(583)	-	(583)
At 31 December 2019	6,494	34,604	2,430	43,528
Depreciation and impairment				
At 1 January 2019	5,722	27,146	1,440	34,308
Depreciation charged in the year	220	2,051	215	2,486
Eliminated in respect of disposals	-	(539)	-	(539)
At 31 December 2019	5,942	28,658	1,655	36,255
Carrying amount				
At 31 December 2019	552	5,946	775	7,273
At 31 December 2018	764	7,251	941	8,956

The following land is not depreciated.

	2019	2018
	£'000	**£'000**
Freehold	154	154

13 Inventories

	2019	2018
	£'000	**£'000**
Raw materials and consumables	3,591	2,670
Work in progress	2,043	2,691
Finished goods and goods for resale	4,758	5,527
	10,392	10,888

14 Trade and other receivables

	2019	2018
Amounts falling due within one year:	**£'000**	**£'000**
Trade receivables	7,820	9,100
Amounts owed by group undertakings	3,029	1,721
Other receivables	281	259
Prepayments and accrued income	219	197
	11,349	11,277
Deferred tax asset (note 18)	548	530
	11,897	11,807

Trade receivables disclosed above are measured at amortised cost.

15 Current liabilities

	2019	2018
	£'000	**£'000**
Trade payables	2,008	2,039
Amounts owed to group undertakings	2,637	4,683
Corporation tax	622	763
Other taxation and social security	698	785
Accruals and deferred income	548	582
	6,513	8,852

16 Non-current liabilities

	2019	2018
	£'000	**£'000**
Other payables	223	143

17 Provisions for liabilities

	2019	2018
	£'000	**£'000**
Jubilee provision	198	185
Warranty provision	1,024	843
	1,222	1,028

17 Provisions for liabilities **(Continued)**

Movements on provisions:

	Jubilee provision £'000	Warranty provision £'000	Total £'000
At 1 January 2019	185	843	1,027
Additional provisions in the year	13	181	195
At 31 December 2019	198	1,024	1,222

Further information on the above provisions can be found in accounting policy 1.13, and in note 2.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company:

Balances:	2019 £'000	2018 £'000
Other timing differences	548	530
	548	530

Movements in the year:	2019 £'000
Liability/(Asset) at 1 January 2019	(530)
Credit to profit or loss	(18)
Liability/(Asset) at 31 December 2019	(548)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

19 Retirement benefit schemes

Defined contribution schemes	2019 £'000	2018 £'000
Charge to profit or loss in respect of defined contribution schemes	2,197	2,080

The company operates the RENOLIT Group Personal Pension Scheme. Pension costs charged in respect of the scheme amounted to £1,930,000 (2018 - £1,845,000), with £336,000 (2018 - £308,000) accrued at the balance sheet date. The costs charged in the accounts as detailed above include death in service and life assurance payments of £267,000 (2018 - £235,000).

20 Share capital

	2019	2018
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
10,000,000 Ordinary shares of £1 each	10,000	10,000

21 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:

	2019	2018
	£'000	£'000
Within one year	105	76
Between two and five years	272	126
In over five years	15	-
	392	202

22 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£'000	£'000
Acquisition of property, plant and equipment	216	246

23 Related party transactions

Exemption from disclosing group transactions

The company has taken advantage of the disclosure exemptions of Section 33.1A of FRS 102 which permit it to not present details of its transactions with members of the group headed by JM Industriebeiligungen GmbH & Co. KGaA where relevant group companies are all wholly owned. Details of outstanding balances as at the year end are given in notes 14 and 15.

24 Ultimate controlling party

The company is a wholly owned subsidiary of RENOLIT (U.K.) Limited. The ultimate parent is JM Industriebeteiligungen GmbH & Co. KGaA, a company incorporated in Germany. JM Industriebeteiligungen GmbH & Co. KGaA is the smallest and largest group into which these accounts are consolidated. Group financial statements can be obtained from from the registered office of JM Industriebeteiligungen GmbH & Co. KGaA at Horchheimer Strasse 50, 67547 Worms, Germany.

25 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	286	253
Company pension contributions to defined contribution schemes	75	73
	361	326

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

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

	2019 £'000	2018 £'000
Remuneration for qualifying services	149	132
Company pension contributions to defined contribution schemes	41	40