

Registration number: 02236792

Porcelanosa (Yorkshire) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Porcelanosa (Yorkshire) Limited

Company Information

Director S Segarra

Company secretary D Shah

Registered office Units 1- 6 Otterspool Way
Bushey
Watford
WD25 8HL

Solicitors DLA Piper Rudnick Gray Cary UK LLP
3 Noble Street
London
EC2V 7EE

Bankers Banco de Sabadell S.A.
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Auditor Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Porcelanosa (Yorkshire) Limited

Strategic Report for the Year Ended 31 December 2017

The director presents his strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the company is the distribution and retail of ceramic wall and floor tiles, hardwood, bathroom furniture and kitchens.

Fair review of the business

2017 has seen strong performance in the Contracts sector due to the strength of a settled sales team along with the start of several projects that were in the pipeline at the beginning of the year. However, this has been offset by a more challenging year with the National Housebuilders and consumer retail, partially due to the difficulties of recruiting appropriate staff.

For 2018, there are a number of large projects in the pipe line and plans are in place to continue the gross profit % improvement. Year on year sales are forecast to be similar to 2017, although it is expected that there will be some caution in the future levels of non-retail sales as the potential impact of Brexit is considered by the larger customers.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2017	2016
Turnover	£000	9,174	8,771
Gross profit margin	%	38	37
Operating profit	£000	255	244

Future developments

The director does not anticipate any significant changes in the activities of the company in the foreseeable future.

Principal risks and uncertainties

The management of the business and the nature of the company's strategy are subject to a number of risks. The director has set out below the principal risks facing the business.

The director is of the opinion that the risk management processes adopted, which involve the review, monitoring and, where possible, the mitigation of the risks identified below, are appropriate to the business.

Competition

The markets in which the company operates are highly competitive. As a result there is constant pressure on margins. Policies of constant price monitoring and ongoing market research, combined with the development of new markets and new products, are in place to mitigate such risks.

People

The success of the company is largely dependent upon the recruitment and retention of our employees. There are training programmes and remuneration schemes in place to mitigate the risk of the absence of suitable staff resources.

Exit from the European Union

As the United Kingdom government commences negotiations with the European Union over the future relationship of the two parties, the company continues to develop its business in the UK and to invest both in terms of financial and human resources to ensure we remain competitive and innovative.

Porcelanosa (Yorkshire) Limited

Strategic Report for the Year Ended 31 December 2017 (continued)

Financial risks

The company finances its activities with a combination of bank borrowings, and cash generated from operations. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

The main financial risks facing the business are the availability of funds to meet business needs, credit risk in respect of customer receivables, and the effect of fluctuations in foreign exchange rates and interest rates.

The director is confident that the banking facilities currently in place are more than adequate for the company's working capital requirements. The company is not exposed to any significant currency risks. The director is satisfied that credit risk is adequately managed.

Approved by the Board on 09/04/18 and signed on its behalf by:



.....
D Shah
Company secretary

Porcelanosa (Yorkshire) Limited

Director's Report for the Year Ended 31 December 2017

The director presents his report and the financial statements for the year ended 31 December 2017.

Director of the company

The director, who held office during the year, was as follows:

S Segarra

Dividends

The director does not recommend the payment of a dividend (2016 - £nil).

Going concern

The director has received notice from Porcelanosa S.A. and Venis S.A., significant shareholders of Porcelanosa UK Limited, that they will support the operational needs of Porcelanosa (Yorkshire) Limited for the twelve months following the date of signing these financial statements in order to allow it to meet its liabilities as and when they fall due unless circumstances change in a manner such as it would or might no longer be open for them to provide such financial support.

After making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Director's liabilities

The company has granted an indemnity to its director against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the director's report.

Disclosure of information to the auditors

The director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows the auditor is unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Disclosure requirements

In accordance with the Companies Act 2006, section 414C(11), the company's Strategic Report contains certain disclosures required in the Director's Report.

Approved by the Board on 09/04/18 and signed on its behalf by:



.....
D Shah
Company secretary

Porcelanosa (Yorkshire) Limited

Statement of Director's Responsibilities

The director is responsible for preparing the Annual Report and Financial Statements in accordance with applicable UK law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 Porcelanosa (Yorkshire) Limited

Opinion

We have audited the financial statements of Porcelanosa (Yorkshire) Limited for the year ended 31 December 2017, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 22, 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 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 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 below. 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.

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.

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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Porcelanosa (Yorkshire) Limited (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 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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's 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 Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the director

As explained more fully in the Statement of Director's Responsibilities (set out on page 5), the director is 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 director determines 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 director is 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 director either intends 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Porcelanosa
(Yorkshire) Limited (continued)

Ernst & Young LLP
.....
Anup Sodhi (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: *09/04/18*

Porcelanosa (Yorkshire) Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	9,174	8,771
Cost of sales		<u>(5,694)</u>	<u>(5,510)</u>
Gross profit		3,480	3,261
Administrative expenses		<u>(3,225)</u>	<u>(3,017)</u>
Operating profit	5	<u>255</u>	<u>244</u>
Profit before tax		255	244
Tax on profit on ordinary activities	9	<u>174</u>	<u>-</u>
Profit for the year		<u>429</u>	<u>244</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income

The company has no other comprehensive income for the year other than the results above.

The notes on pages 12 to 25 form an integral part of these financial statements.

Porcelanosa (Yorkshire) Limited

(Registration number: 02236792)

Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	10	688	780
Current assets			
Stocks	11	1,302	1,296
Debtors	12	1,241	785
Cash at bank and in hand		47	1
		<u>2,590</u>	<u>2,082</u>
Creditors: Amounts falling due within one year	13	<u>(1,536)</u>	<u>(1,549)</u>
Net current assets		<u>1,054</u>	<u>533</u>
Net assets		<u>1,742</u>	<u>1,313</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account		<u>1,741</u>	<u>1,312</u>
Shareholders' funds		<u>1,742</u>	<u>1,313</u>

These financial statements were approved by the director and authorised for issue on 09/04/18


 S Segarra
 Director

Porcelanosa (Yorkshire) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	1	1,312	1,313
Profit for the year	-	429	429
At 31 December 2017	1	1,741	1,742

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	1	1,068	1,069
Profit for the year	-	244	244
At 31 December 2016	1	1,312	1,313

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital, incorporated in England and Wales and domiciled in England.

The address of its registered office is:

Units 1- 6 Otterspool Way
Bushey
Watford
WD25 8HL

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The company's financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated. Sterling is the company's functional currency.

Changes in accounting policy

Various new or revised accounting standards have been issued which are not yet effective, including IFRS 15 'Revenue from Contracts with Customers', IFRS 16 'Leases' and IFRS 9 'Financial Instruments'.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions in FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures'
- the requirements of Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information
- the requirements of IAS 7, 'Statement of cash flows'
- the requirements of Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- the requirements of Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation)
- the requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- the requirements of the following paragraphs of IAS 1 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows)
 - (ii) 10(f), (statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
 - (iii) 16 (statement of compliance with IFRS)
 - (iv) 38A (requirement for minimum of two primary statements, including cash flow statements)
 - (v) 38B-D (additional comparative information)
 - (vi) 40A-D (requirements for a third statement of financial position)
 - (vii) 111 (cash flow statement information), and
 - (viii) 134-136 (capital management disclosures).

Going concern

The director has received notice from Porcelanosa S.A. and Venis S.A., significant shareholders of Porcelanosa UK Limited, that they will support the operational needs of Porcelanosa (Yorkshire) Limited for the twelve months following the date of signing these financial statements in order to allow it to meet its liabilities as and when they fall due unless circumstances change in a manner such as it would or might no longer be open for them to provide such financial support.

After making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he continues to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company activities.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which normally occurs upon dispatch.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Finance income and costs policy

Finance income consists of income from cash investments and equivalents. Interest income is recognised in the profit and loss account when earned, using the effective interest method.

Finance costs consist of interest payable on borrowings calculated using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currency transactions and balances

Profit and loss account transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account, except when deferred in other comprehensive income as qualifying cash flow hedges.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tangible assets

Tangible assets are stated in the balance sheet at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	straight line basis over the life of the lease
Motor vehicles	25% straight line basis
Plant and machinery	5% to 33.3% straight line basis

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the profit and loss account.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the profit or loss account, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Stock

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Cost includes purchase price, including import duties, transport and handling costs, calculated on a consistent basis which excludes periodic trade discounts on certain lines specified at manufacture.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial assets and liabilities

Classification

The company's financial assets include cash and short-term deposits, inter-company receivables and trade and other receivables.

The company's financial liabilities include bank borrowings, inter-company payables and operating payables.

Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Borrowings and other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

Impairment

An impairment loss is recognised if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate. The impairment loss is recognised in the profit and loss account.

Gains and losses on loans and receivables consist of interest income and impairment losses.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation means that the actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with an assessment of the effect of future tax planning strategies.

Allowance for estimated irrecoverable debtors

Allowances for estimated irrecoverable debtors are determined using a combination of factors to ensure that trade debtors are not overstated due to uncertainty of recoverability. The allowance for estimated irrecoverable debtors for all customers is based on a variety of factors, including the overall quality and ageing of receivables and continuing credit evaluation of the customer's financial conditions. Also, specific allowances for individual accounts are recorded when the company becomes aware of the customer's inability to meet its financial obligations.

Stock provisioning

The company's product range is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of stock and associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

4 Turnover

All revenue relates to one class of business in the UK. The analysis of the company's turnover for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Sale of goods	9,174	8,771

The analysis of the company's turnover for the year by market is as follows:

	2017 £ 000	2016 £ 000
UK	9,174	8,771

5 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	160	160
(Reversal of write -down)/write-down of inventory to net realisable value	(13)	5
Operating lease expense - property	248	248
Operating lease expense - plant and machinery	40	36
Profit on disposal of property, plant and equipment	(9)	(2)

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

6 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	10	10
Other fees to auditors		
Taxation compliance services	2	2

7 Staff costs

The aggregate payroll costs (including director's remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	1,111	1,095
Social security costs	122	114
Pension costs, defined contribution scheme	8	7
	<u>1,241</u>	<u>1,216</u>

The average number of persons employed by the company (including the director) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Sales and merchandising	24	26
Warehouse and distribution	6	5
Management and administration	6	7
	<u>36</u>	<u>38</u>

8 Director's remuneration

Remuneration for the director has been borne by a related company. The director is also a director or officer of a number of the companies within the Porcelanosa UK Group. His director's services to the company do not occupy a significant amount of his time. As such the director does not consider that he has received any remuneration for his incidental services to the company for the year.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

9 Income tax

Tax credited in the profit and loss account

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(178)	-
Arising from changes in tax rates and laws	4	-
Total deferred taxation	(174)	-
Tax receipt in the profit and loss account	(174)	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	255	244
Corporation tax at standard rate	49	49
Expenses not deductible	23	19
Amounts not recognised	(250)	(68)
Deferred tax expense (credit) relating to changes in tax rates or laws	4	-
Total tax credit	(174)	-

Finance (No 2) Act 2015 reduced the main rate of corporation tax to 19% from 1 April 2017 and then to 18% from 1 April 2020. This was amended by Finance Act 2016 which changed the rate reduction in 2020 to 17% rather than 18%. Consequently, deferred tax has been calculated at 17% since this is the rate expected to be in place when the majority of deferred tax will reverse.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

9 Income tax (continued)

Deferred tax

Deferred tax assets

	Asset £ 000
2017	
Tax losses carry-forwards	<u>174</u>

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Tax losses carry-forwards	<u>-</u>	<u>174</u>	<u>174</u>

There are £11,000 of deductible temporary differences (2016 - £18,000), £342,000 of unused tax losses (2016 - £566,000) and £118,000 of unused tax credits (2016 - £104,000) for which no deferred tax asset is recognised in the statement of financial position.

10 Tangible assets

	Leasehold improvements £ 000	Motor vehicles £ 000	Plant and machinery £ 000	Total £ 000
Cost				
At 1 January 2017	37	12	1,722	1,771
Additions	-	-	104	104
Disposals	-	-	(77)	(77)
At 31 December 2017	<u>37</u>	<u>12</u>	<u>1,749</u>	<u>1,798</u>
Depreciation				
At 1 January 2017	10	12	969	991
Charge for the year	2	-	158	160
Eliminated on disposal	-	-	(41)	(41)
At 31 December 2017	<u>12</u>	<u>12</u>	<u>1,086</u>	<u>1,110</u>
Carrying amount				
At 31 December 2017	<u>25</u>	<u>-</u>	<u>663</u>	<u>688</u>
At 31 December 2016	<u>27</u>	<u>-</u>	<u>753</u>	<u>780</u>

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Stocks

	2017 £ 000	2016 £ 000
Finished goods and goods for resale	<u>1,302</u>	<u>1,296</u>

There is no significant difference between the replacement cost of finished goods and goods for resale and their carrying value.

The cost of inventories recognised as an expense in the year amounted to £5,707,000 (2016 - £5,505,000). This is included within cost of sales.

The amount of write-down of inventories recognised as an expense in the year is £13,000 (2016 - £5,000). This is included within cost of sales.

12 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	916	719
Amounts owed by group undertakings	133	-
Prepayments	18	66
Deferred tax assets	<u>174</u>	<u>-</u>
	<u>1,241</u>	<u>785</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

The amount of write-down of trade debtors recognised as a charge in the year was £2,000 (2016 - £2,000). This is included in administrative expenses.

Trade debtors are stated after provisions for impairment of £11,000 (2016 - £14,000).

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Creditors: amounts falling due within one year

	2017 £ 000	2016 £ 000
Loans and borrowings (note 15)	-	241
Trade creditors	68	75
Amounts payable to group undertakings	889	653
Social security and other taxes	239	214
Other creditors	340	366
	<u>1,536</u>	<u>1,549</u>

Trade creditors are not interest-bearing and are generally settled on 30 day terms. Amounts payable to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Obligations under leases

Operating leases

The total future value of minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Within one year	22	40
In two to five years	<u>15</u>	<u>38</u>
	<u>37</u>	<u>78</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £40,000 (2016 - £36,000)

15 Loans and borrowings

	2017 £ 000	2016 £ 000
Current loans and borrowings		
Bank overdrafts	<u>-</u>	<u>241</u>

The bank overdraft is guaranteed by Venis S.A. and Porcelanosa S.A.

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

16 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £8,000 (2016 - £7,000).

17 Share capital

Authorised, allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

18 Reserves

Share capital

The balance classified as equity share capital includes the total net proceeds on issue of the company's equity shares.

Profit and loss account

The profit and loss account reserve includes all current and prior period retained profits and losses.

19 Dividends

The director is proposing a final dividend of £Nil (2016 - £Nil) per share totalling £Nil (2016 - £Nil).

20 Related party transactions

The company has taken advantage of the exemption under 8(k) of FRS 101 not to disclose transactions with fellow group wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December with other related parties are as follows:

Porcelanosa (Yorkshire) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

20 Related party transactions (continued)

Summary of transactions with related parties

During the year the company entered into transactions, in the ordinary course of business, with connected parties of the significant shareholders.

Sales and purchases between related parties are made on an arms length basis.

Outstanding balances are unsecured, interest free and cash settlement is expected within 60 days of the invoice.

Income and receivables from related parties

2017	£ 000
Sale of goods	337
Amounts receivable from related party	133
2016	£ 000
Sale of goods	262
Amounts receivable from related party	4

Expenditure with and payables to related parties

2017	£ 000
Purchase of goods	4,937
Amounts payable to related party	873
2016	£ 000
Purchase of goods	4,732
Amounts payable to related party	645

21 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Porcelanosa UK Limited.

These financial statements are available upon request from Companies House, Crown Way, Maindy, Cardiff.

22 Parent and ultimate parent undertaking

The company's immediate parent is Porcelanosa Group Limited. The ultimate parent and controlling party is Sorman SA, incorporated in Spain.

The most senior parent entity producing publicly available financial statements is Porcelanosa UK Limited. These financial statements are available upon request from Companies House, Crown Way, Maindy, Cardiff.