A-Safe (HQ) Limited

Registered number: 05407505

Directors' report and financial statements

For the year ended 31 December 2017

A-SAFE (HQ) LIMITED

COMPANY INFORMATION

Directors	J R Smith L T Smith
Registered number	05407505
Registered office	Habergham Works Ainley Industrial Estate Elland West Yorkshire HX5 9JP
Auditor	Deloitte LLP 1 City Square Leeds West Yorkshire LS1 2AL
Bankers	The Royal Bank of Scotland 20 Commercial Street Halifax West Yorkshire HX1 1TA

A-SAFE (HQ) LIMITED

CONTENTS

Business review

The company continued its principal activity during the year. The company has continued to perform strongly and is positive about the future outlook for both UK and overseas subsidiaries.

We have successfully harnessed the strength of the A-Safe brand and quality of service by growing overall turnover by 17% through continued development of our overseas markets in Europe, USA and other international expansion.

A continued weakening of the Pound Sterling during the financial year, along with improved operational efficiencies has ensured we maintain a strong gross margin of 41% (2016 - 42%). This is expected to remain constant throughout 2018 as the business continues to increase exports outside of the United Kingdom.

Operating profit has decreased slightly to 22% (2016 - 26%), however this is due to planned increases in administration expenses as the group continues to invest heavily in future growth. Profit before tax has remained consistent at £5.27m (2016 - 5.39m).

This strong performance is also reflected in the balance sheet with Net Assets of £16.3m (2016 - £11.4m). Fixed assets have increased to £8.3m (2016 - £6.3m) due to investment in plant and machinery. Stock has increased to £3.6m (2016 - £2.4m) due to international expansion and the general growth of the business. The net current ratio decreased to 2.1 times (2016 - 2.9 times) but this is primarily due to increased intercompany balances. The business continues to effectively monitor working capital requirements.

A new banking facility was arranged in 2017. In 2018 we expect to continue to utilise this to further fund future international expansion, new product development and to invest in new fixed assets.

We are grateful to our staff for their continued hard work and dedication in making this year such a success.

Future developments

The directors are constantly on the lookout for new markets, and fully expect the organic growth in the business to continue into 2018 and beyond. Improved ForkGuard products and Alarm Bar will be released as the business looks to increase its offering to the end user.

Governance and risk management

The Board is responsible for the company's risk management and for ensuring that robust processes are in place to identify, manage and report risks that threaten the business objectives of the company. These include Financial, Operational and Regulatory compliance risks. The principal features of the company's risk management regime are:

- A strong control environment. This is founded on an appropriate organisational structure for planning, executing, controlling and monitoring business operations. It includes clearly defined responsibilities and accountabilities, particularly for risk management, and an ERP platform that is consistent across the business.

- Documented control procedures. These include budgetary systems and management controls to manage financial risks, timely and accurate management information in respect of key performance measures, and procedures to ensure complete and accurate accounting, which is regularly reviewed by the Board.

Principal risks and uncertainties

The Board exercises oversight of the strategic risks that face the business on a continuous basis. The principal risks and uncertainties are as follows:

- Brand reputation – the A-Safe brand has significant commercial value. The Board regularly monitors customer satisfaction levels and invests significant resource into on-going research and development.

- Safety - every product in the range is strenuously tested up to and beyond the latest Health and Safety standards, and other applicable regulations, and where necessary they are tested and certified as complying with impact loadings stated in relevant British, European and ISO standards. The majority of products are also independently tested by an external third party.

- Intellectual property – A-Safe's product range is protected by a series of patents, design rights, copyrights and trademarks.

This report was approved by the board on 19/09/2018 and signed on its behalf by;

J R Smith
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the company is that of the manufacture and sale of building protection and safety products.

Results

The profit for the year, after taxation, amounted to £5,191,748 (2016: £4,760,168).

Dividends

Dividends of £240,000 (2016 - £180,000) were paid during the year.

Directors' responsibilities statement

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), including [FRS 101 "Reduced Disclosure Framework"] [FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"]. 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 judgments 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' liabilities

The company has granted an indemnity to one or more of its directors 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 directors' report.

Exposure to foreign exchange, credit, liquidity and cashflow risk

Credit risk is mitigated by performing credit checks on all our customers and requesting advance payment if they are deemed to have an excessive credit risk. The customer base is of a high quality and consists primarily of blue chip companies which are an inherently low risk. Details of the group's debtors are shown in Note 13 to the financial statements.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the group. The group also manages liquidity risk via revolving credit facilities and long-term debt.

Cash flow risk is mitigated as the payment terms of debtors and creditors are on similar terms. A-Fax also has a strong cash balance.

Directors

The directors who have served the company since 1 January 2017 are:

J R Smith
L T Smith
J G Smith (Resigned 2 June 2017)
D G Smith (Resigned 6 June 2017)

Research and development activities

The directors will oversee the company's continued commitment and investment in research and development to further develop existing products and launching new products such as RackEye.

Post Balance Sheet Events

See Strategic Report for more information.

Disclosure of information to auditors

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

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

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the company has prepared a Strategic Report, which includes information that would have previously been included in the Directors' Report.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Auditors

In accordance with the Companies Act 2006 a resolution proposing the appointment of Deloitte LLP as Auditor was put to the members. Deloitte LLP were subsequently appointed in the year.

This report was approved by the board on 19/09/2018 and signed on its behalf by;

J.R.Smith

J R Smith
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A-SAFE (HQ) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of A-Safe HQ Limited (the 'company'):

- give a true and fair view of the state 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

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 respect of these matters.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in [the strategic report and] the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- [the strategic report and] the directors' report [has/have] been prepared in accordance with applicable legal requirements.

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 any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A-SAFE (HQ) LIMITED

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.

Matthew Hughes

Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
25 September 2018

A-SAFE (HQ) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	2	24,972,205	21,367,652
Cost of sales		(14,754,413)	(12,301,442)
Gross profit		10,217,792	9,066,210
Administrative expenses		(4,837,601)	(3,549,021)
Operating profit	3	5,380,191	5,517,189
Interest payable and similar charges	6	(103,939)	(131,330)
Profit on ordinary activities before taxation		5,276,252	5,385,859
Tax on profit on ordinary activities	7	(84,504)	(625,691)
Profit for the financial year	18	5,191,748	4,760,168
Retained earnings at 1 January		11,363,525	6,783,357
Equity dividends paid	8	(240,000)	(180,000)
Retained earnings at 31 December		16,315,273	11,363,525

All amounts relate to continuing operations.

There were no recognised gains and losses for 2017 and 2016 other than those included in the Statement of income and retained earnings.

The notes on pages 11 to 27 form part of these financial statements

A-SAFE (HQ) LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Intangible assets	9		626,108		540,078
Tangible assets	10		7,423,377		5,603,659
Investments	11		261,668		132,225
			8,311,153		6,275,962
Current assets					
Stocks	12	3,624,444		2,436,573	
Debtors	13	11,681,545		9,238,561	
Cash at bank and in hand		1,157,854		2,321,439	
		16,463,843		13,996,573	
Creditors: amounts falling due within one year	14	(7,828,928)		(4,867,896)	
Net current assets			8,634,916		9,128,677
Total assets less current liabilities			16,946,069		15,404,639
Creditors: amounts falling due after more than one year	15		(109,205)		(3,627,787)
Provisions for liabilities					
Deferred tax	16		(521,591)		(413,327)
Net assets			16,315,273		11,363,525
Capital and Reserves					
Called up share capital	17		100		100
Profit and loss account	18		16,315,173		11,363,425
Total equity			16,315,273		11,363,525

The financial statements on pages 9 to 27 were approved and authorised for issue by the board and were signed on its behalf on 19/09/2018

J R Smith

J R Smith
Director

The notes on pages 11 to 27 form part of these financial statements.

1. Accounting policies

1. General information

A-Safe (HQ) Limited is a company limited by shares, domiciled and incorporated in England with the registration number 05407505.

The address of the Company's registered office and principal place of business is Habergham Works, Ainley Industrial Estate, Elland, Halifax, HX5 9JP.

The Company's principal activities and the nature of the Company's operations are described in the Strategic Report on page 1 and the directors' report on page 3 of this report.

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.

1.1 Basis of preparation of financial statements

The financial statements of A-Safe (HQ) Limited have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

The financial statements are presented in Pound Sterling (£) which is also the functional currency of the Company and Group.

The company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity.

The financial statements of the company are consolidated in the financial statements of A-Fax Limited. The consolidated financial statements of A-Fax Limited are available from its registered office, Habergham Works, Ainley Industrial Estate, Elland, West Yorkshire, Hx5 9JP.

Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – some of the disclosure requirements for financial instruments.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

1. Accounting policies (continued)

1.2 Going concern

The financial statements have been prepared on the going concern basis.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.
A budget is process is undertaken at the end of each financial year for the following period (and beyond) which includes extensive discussions with senior management across the business. Regular reviews and reforecasts are also undertaken to ensure projections remain accurate and feasible.
Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods sold during the year, exclusive of Value Added Tax and trade discounts. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer. This is deemed to occur at point of despatch for tangible products or upon completion of services rendered such as installation.

1.4 Intangible fixed assets and amortisation

Intangible assets are stated at cost less amortisation. Intangible assets are amortised to the Income statement over their estimated economic life.

Amortisation is provided at the following rates:

Software (inc. Development)	-	33% Straight line

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land which is not depreciated and investment properties at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	2% Straight line
Plant & machinery	-	10% Straight line
Motor vehicles	-	20% Straight line
Fixtures & fittings	-	10% & 33% Straight line
Other	-	33% Straight line
Computer equipment	-	33% Straight line

1.6 Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

1. Accounting policies (continued)

1.7 Investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less provision for impairment.

1.8 Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell after making due allowance for obsolete and slow-moving stocks. The cost method adopted is Standard Cost and this includes all direct costs and an appropriate proportion of fixed and variable overheads.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock 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. Accounting policies (continued)

1.11 Taxation

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more, tax with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.12 Foreign currencies

Transactions in currencies other than the functional currency of Pound Sterling (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

1.13 Research and development

Research expenditure is written off in the year in which it is incurred. Development expenditure is capitalised in accordance with the accounting policy above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed.

1.14 Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

1.15 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 are capitalised as an intangible fixed asset or a tangible fixed asset.

1. **Accounting policies (continued)**

1.16 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.17 Financial instruments

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors

Trade, group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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.

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

1. Accounting policies (continued)

1.17 Financial instruments (continued)

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.18 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. 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 discussed below.

Provision for stock obsolescence

The stock obsolescence provision is calculated as:
- 25% of the cost for any items with a stock-holding 26-52 weeks
- 75% of the cost for any items with a stock-holding >52 weeks.

Exclusions to the obsolescence policy are made for new stock items that have not started being sold yet.

Provision for bad debt

The bad debt provision is calculated as follows:

- >120 days overdue = 50% provision
- >90 days overdue = 25% provision
- >60 days overdue = 5% provision
- >30 days overdue = 2.5% provision
- Current and <30 days overdue = 1.0% provision

The debts of any customers that have been placed into administration are provided for 100%.

2. Turnover

100% of turnover is attributable to the manufacture and sale of building protection and safety products.

Turnover is split by UK £3.1m (2016 - £7.1m) and overseas £21.9m (2016 - £14.2m)

3. Operating Profit

Operating profit is stated after charging/(crediting):

	2017 £	2016 £
Amortisation - intangible fixed assets	146,466	106,020
Depreciation of tangible fixed assets:		
- owned by the company	916,760	590,105
- held under finance leases	47,539	128,664
Auditors' remuneration:		
- audit fees	25,000	25,000
- tax fees	10,000	-
Amount of inventory charged as an expense	9,913,214	7,281,672
Impairment of inventory recognised in cost of sales	66,269	15,414
Impairment of fixed assets	160,003	-
Operating lease rentals	9,774	54,501
Loss / (Profit) on disposal of fixed assets	(15,722)	19,607
Net loss/(gain) on foreign currency translation	28,046	(563,765)

4. Staff costs

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

	2017 £	2016 £
Wages and salaries	3,938,819	4,117,554
Social security costs	377,326	396,833
Defined contribution pension cost	56,460	44,649
	4,372,605	4,559,036

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

	2017 No.	2016 No.
Production	82	84
Admin	72	75
	154	159

5. Directors' remuneration

	2017 £	2016 £
Directors Remuneration	68,482	78,307
Directors pension	20,000	20,000
	88,482	98,307

Two directors are accruing pension contributions under defined contribution schemes.

6. Interest payable

	2017 £	2016 £
On bank loans and overdrafts	95,169	117,794
On finance leases and hire purchase contracts	8,770	13,536
	103,939	131,330

7. Taxation

	2017 £	2016 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	226,225	540,139
Adjustments in respect of prior periods	(249,985)	(5,712)
Total current tax	(23,760)	534,427
Deferred tax (see note 16)		
Origination and reversal of timing differences	80,082	91,264
Adjustment in respect of previous periods	37,529	-
Effect of changes in tax rates	(9,348)	-
Total deferred tax	108,263	91,264
Tax on profit on ordinary activities	827,374	625,691

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	5,274,369	5,385,859
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%)	1,015,135	1,077,172
Effects of:		
Expenses not deductible for tax purposes	54,937	12,046
Adjustments to tax charge in respect of prior periods	(212,456)	(5,712)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(260,178)	(174,741)
Group relief	-	(34,354)
Rate differences on deferred tax	(9,348)	(37,155)
Patent box deduction	(503,586)	(211,565)
Rounding	(1)	-
Total tax expense (see note above)	84,503	625,691

8. Dividends

	2017 £	2016 £
Final dividends paid on equity capital - £2,400 (2016: £1,800)	240,000	180,000

9. Intangible fixed assets

	Software £	Total £
Cost		
At 1 January 2017	718,614	718,614
Additions – separately acquired	392,497	392,497
Impairment	(160,003)	(160,003)
At 31 December 2017	951,108	951,108
Amortisation		
At 1 January 2017	178,535	178,535
Charge for the year	146,466	146,466
At 31 December 2017	325,001	325,001
Net book value		
At 31 December 2017	626,108	626,108
At 31 December 2016	540,079	540,079

10. Tangible fixed assets

	Land & Buildings £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Other £	Total £
Cost							
At 1 January 2017	530,140	5,842,956	389,173	97,420	188,383	130,928	7,179,000
Additions	580,746	1,460,894	459,103	138,229	145,353	121,277	2,905,601
Disposals			(200,212)				(200,212)
At 31 December 2017	1,110,886	7,303,850	648,064	235,649	333,736	252,205	9,884,390
Depreciation							
At 1 January 2017	85,332	1,215,915	137,731	27,507	96,188	12,668	1,575,341
Charge for the year	51,646	664,750	111,591	16,061	74,174	46,077	964,299
Disposals			(78,627)				(78,627)
At 31 December 2017	136,978	1,880,665	170,695	43,568	170,362	58,745	2,461,012
Net book value							
At 31 December 2017	973,908	5,423,185	477,369	192,081	163,374	193,460	7,423,377
At 31 December 2016	444,808	4,627,041	251,442	69,913	92,195	118,260	5,603,659

10. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, which are pledged as security in respect of the related parties, are as follows:

	2017 £	2016 £
Plant and machinery	263,664	720,838

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017	132,225
Additions	129,443
At 31 December 2017	261,668
Net book value	
At 31 December 2017	261,668
At 31 December 2016	132,225

Subsidiary undertakings

The following were subsidiary undertakings:

Name	Class of shares	Direct Holding	Country of Incorporation
A-Safe GmbH	Ordinary	100%	Germany
A-Safe SAS	Ordinary	90%	France
A-Safe Italia S.R.L.	Ordinary	90%	Italy
A-Safe B.V.	Ordinary	100%	Netherlands
A-Safe Inc	Ordinary	100%	USA
A-Safe Scandinavia APS	Ordinary	100%	Denmark
A-Safe bvba	Ordinary	100%	Belgium
A-Safe Australasia PTY Ltd	Ordinary	100%	Australia
A-Safe Soluciones S.L.	Ordinary	75%	Spain
A-Safe Solutions UK Ltd	Ordinary	100%	United Kingdom
A-Safe International Ltd	Ordinary	100%	United Kingdom
A-Safe KK	Ordinary	100%	Japan
A-Safe UAE	Ordinary	100%	United Arab Emirates
A-Safe S.A. de C.V.	Ordinary	100%	Mexico

The principal business activity of the above subsidiaries is sale of building protection and safety products.

12. Stocks

	2017	2016
	£	£
Raw materials	1,052,332	731,192
Finished goods	2,572,112	1,705,381
	3,624,444	2,436,573

13. Debtors

	2017	2016
	£	£
Trade debtors	-	1,125,365
Amounts owed by group undertakings	10,241,617	6,665,056
Amounts owed by connected companies	-	1,029,000
Corporation tax	393,590	-
Directors loan	200,000	-
Other debtors	679,027	297,646
Prepayments and accrued income	172,017	121,494
	11,686,251	9,238,561

14. Creditors:
Amounts falling due within one year

	2017	2016
	£	£
Bank loans	-	840,621
Net obligations under finance leases & hire purchase contracts	87,985	175,698
Trade creditors	3,524,308	2,745,285
Amounts owed to group undertakings	3,517,563	200
Corporation tax	-	459,427
Other taxation and social security	110,701	114,019
Other creditors	241,444	8,411
Accruals and deferred income	351,635	524,235
	7,828,928	4,867,896

14. Creditors:
Amounts falling due within one year (continued)

The bank loan of £12,416,213 (2016: £4,468,408) is held in another entity but is secured against all assets of the company.

Net obligations under hire purchase contracts of £87,985 (2016: £175,698) are secured against the assets to which they relate.

Intercompany balances are non-interest bearing and repayable on demand

15. Creditors:
Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	-	3,627,787
Net obligations under finance leases & hire purchase contracts	109,205	-
	109,205	**3,627,787**

Creditors include amounts not wholly repayable within 5 years as follows:

	2017 £	2016 £
Bank loan repayable by instalments	-	250,000

The bank loan of £12,416,213 (2016: £4,468,408) is held in another entity but is secured against all assets of the company.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2017 £	2016 £
Between two and five years	109,205	-

Net obligations under hire purchase contracts of £197,190 (2016: £175,698) are secured against the assets to which they relate.

16. Deferred taxation

	2017 £	2016 £
At 1 January 2017	413,327	322,063
Adjustment in respect of prior years	37,529	-
Charge for the year	70,735	91,264
At 31 December 2017	521,591	413,327

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Fixed asset timing differences	524,681	416,225
Other short-term timing differences	(3,090)	(2,898)
	521,591	413,327

17. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

All shares, have full voting rights attached and carry no right to fixed income.

18. Reserves

Profit and Loss account

Cumulative profit and loss net of distributions to owners.

19. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £56,460 (2016: £44,649). A creditor balance of £13,486 remains outstanding at the end of the financial year.

20. Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Other 2017 £	Other 2016 £
Amounts due:		
Within 1 year	31,376	31,987
Between 2 and 5 years	44,388	2,906

21. Related party transactions

Included within sales is £24.7m (2016: £12.4) of sales to group undertakings, on normal commercial terms.

Included within debtors is £10.2m (2016 - £6.7m) of debtors owed by group undertakings which are interest free and repayable on demand (see note 13).

At the end of 2017 a director's loan was owed by Luke Smith of £200,000. The loan is repayable on demand and non-interest bearing.

	2017 £	2016 £
Owed by A-Fax Properties Limited	-	1,029,0000
Owed by director	200,000	-

22. Ultimate parent undertaking and controlling party

A-Safe (HQ) Limited is a wholly owned subsidiary of A-Fax Limited, which is a wholly owned subsidiary of A-Fax Holdings Ltd which is incorporated in the UK. A-Fax Holdings Limited is the smallest and largest group in which the company is consolidated. The directors consider A-Fax Holdings Limited to be the ultimate parent undertaking and controlling party and the consolidated financial statements of A-Fax Holdings Limited are available from its registered office, Habergham Works, Ainley Industrial Estate, Elland, West Yorkshire, HX5 9JP.