

Company Registration No. 01313108 (England and Wales)

SIGMA 3 (KITCHENS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

SIGMA 3 (KITCHENS) LIMITED

COMPANY INFORMATION

Directors Mr B C Lakin
Mrs E M Lakin
Mr G Jones

Company number 01313108

Registered office Llantrisant Business Park
Llantrisant
PONTYCLUN
Mid Glamorgan
UK
CF72 8LF

Auditor Baldwins Audit Services
Ty Derw
Lime Tree Court
Cardiff Gate Business Park
CARDIFF
UK
CF23 8AB

SIGMA 3 (KITCHENS) LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 24

SIGMA 3 (KITCHENS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present the strategic report for the year ended 30 September 2019.

Fair review of the business

The Directors are pleased to report the expected positive growth in turnover and profits has been realised.

Sales growth is at 3.2% per annum increasing to £26.4m in the year to 30 September 2019.

The gross margin of 44% was maintained in the year despite a competitive marketplace and material price increases.

Operating profits margin increased from 7.6% to 11.5%, an increase to £3.0m in the year.

The company is committed to maintaining the growth trend seen in recent years and has continued to improve its Balance Sheet to enable future growth by implementing continuous improvement initiatives and investments in its systems, processes and people.

	Year ended 30 Sep 2019	Year ended 30 Sep 2018
Sales growth	3.2%	5.4%
Gross profit as a percentage of sales	44.7%	42.6%
Operating profit as a percentage of sales	11.5%	7.6%
Return on capital employed	41.2%	61.4%

SIGMA 3 (KITCHENS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Principal risks and uncertainties

The key risks and uncertainties facing the company include the following:

Competition

Risk of losing business to competitors is mitigated by innovative product development, close relationships with customers, training of staff and keeping up to date with the kitchen industry trends. The company prides itself in always trying to put the customers' needs first and delivering excellent customer service.

Suppliers

The company has close relationships with suppliers and works with them to ensure continuity of supply so as not to affect the production processes. Supplier audits and reviews are carried out regularly to ensure the company's customers do not suffer from supplier related issues.

Credit Risk

Credit risk is managed by continually monitoring customer activity, payment history and the sales team's continuous dialogue with credit control staff. In addition the company uses credit insurance and monitoring software to keep up to date with customer financial circumstances.

Exchange Risk

The company's transactions are predominantly in sterling. Foreign currency exchange risk, where using distributors bringing in product from abroad, is dealt with through managing its supplier risks.

Lease Commitments

The company has a number of lease commitments for showroom premises. The company manages the risks around these by negotiating terms with the landlords that are manageable by the business.

Employees

The company is a people based business where failure to attract or retain key employees could seriously impede future growth. To ensure staff retention the company has competitive remuneration packages and it operates a culture where each individual can maximise his or her potential. The company also provides industry leading health and welfare benefits for its entire staff.

Environment, Health and Safety

The company takes the health and safety of its staff, customers, contractors and general public very seriously and works with external professional advisors to help maintain its H&S policy.

The company continues efforts to reduce its impact on the environment through company policy including only running low Co2 emitting vehicles and has recently invested in waste reduction machinery in the factory.

On behalf of the board

Mr B C Lakin
Director
15 April 2020

SIGMA 3 (KITCHENS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their annual report and financial statements for the year ended 30 September 2019.

Principal activities

The principal activity of the company is the design, manufacture and supply of fitted kitchens and bedrooms to retail and commercial markets.

Directors

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

Mr B C Lakin
Mrs E M Lakin
Mr P Thomas (resigned 1 October 2019)
Mr G Jones

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. In making their assessment the directors have reviewed the balance sheet, the likely future cash flows of the business and have considered the working capital facilities that are in place at the date of signing the report. As at 30 September 2019, the Company has cash at bank of £6,829,289 and net current assets of £6,426,398.

Post year end as a consequence of the measures taken by the UK Government to manage the impact of Covid-19, the day to day operations of the business has been disrupted. It is difficult to evaluate all of the potential implications of these measures on the company's trade, customers, suppliers and the wider economy. However, based on the information that is currently known, the directors have prepared re-forecasts for the year and taken steps to manage the company's cash flow requirements during this period of uncertainty.

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

Auditor

On 14 May 2019 as a result of a recent merger, MHA Broomfield Alexander resigned as auditors in accordance with Section 516 of the Companies Act 2006 and re-engaged its services as Baldwins Audit Services. In accordance with the company's articles, a resolution proposing that Baldwins Audit Services be reappointed as auditor of the company will be put at a General Meeting.

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.

SIGMA 3 (KITCHENS) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

On behalf of the board

Mr B C Lakin
Director

15 April 2020

SIGMA 3 (KITCHENS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 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;
- 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.

SIGMA 3 (KITCHENS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIGMA 3 (KITCHENS) LIMITED

Opinion

We have audited the financial statements of Sigma 3 (Kitchens) Limited (the 'company') for the year ended 30 September 2019 which comprise the statement of comprehensive income, the balance sheet, 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 30 September 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.

SIGMA 3 (KITCHENS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SIGMA 3 (KITCHENS) LIMITED

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.

SIGMA 3 (KITCHENS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SIGMA 3 (KITCHENS) 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.

**Ian Thomas BSc FCA DChA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services**

15 April 2020

**Accountants
Statutory Auditor**

Ty Derw
Lime Tree Court
Cardiff Gate Business Park
CARDIFF
UK
CF23 8AB

SIGMA 3 (KITCHENS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Year ended 30 September 2019 £	Year ended 30 September 2018 £
Turnover	3	26,379,896	25,566,752
Cost of sales		(14,598,789)	(14,664,018)
Gross profit		<u>11,781,107</u>	<u>10,902,734</u>
Selling and Distribution costs		(5,820,943)	(6,055,828)
Administrative expenses		(3,660,250)	(3,542,900)
Other operating income		719,654	638,820
Operating profit	4	<u>3,019,568</u>	<u>1,942,826</u>
Interest receivable and similar income	7	22,425	7,309
Interest payable and similar expenses	8	(3,726)	(7,886)
Profit before taxation		<u>3,038,267</u>	<u>1,942,249</u>
Tax on profit	9	(580,246)	(370,882)
Profit for the financial year		<u><u>2,458,021</u></u>	<u><u>1,571,367</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SIGMA 3 (KITCHENS) LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Tangible assets	10		864,554		873,031
Investments	11		57,500		57,500
			<u>922,054</u>		<u>930,531</u>
Current assets					
Stocks	13	1,519,965		1,375,477	
Debtors	14	1,922,626		1,884,842	
Investments	15	890		890	
Cash at bank and in hand		6,829,289		4,863,113	
		<u>10,272,770</u>		<u>8,124,322</u>	
Creditors: amounts falling due within one year	16	(3,846,372)		(4,107,176)	
Net current assets			<u>6,426,398</u>		<u>4,017,146</u>
Total assets less current liabilities			<u>7,348,452</u>		<u>4,947,677</u>
Creditors: amounts falling due after more than one year	17		(30,000)		(137,604)
Provisions for liabilities	19		(117,632)		(67,273)
Net assets			<u>7,200,820</u>		<u>4,742,800</u>
Capital and reserves					
Called up share capital	23		50,000		50,000
Share premium account			1,000		1,000
Capital redemption reserve			110,000		110,000
Profit and loss reserves			7,039,820		4,581,800
Total equity			<u>7,200,820</u>		<u>4,742,800</u>

The financial statements were approved by the board of directors and authorised for issue on 15 April 2020 and are signed on its behalf by:

Mr B C Lakin
Director

Mrs E M Lakin
Director

Company Registration No. 01313108

SIGMA 3 (KITCHENS) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share capital	Share premium account	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 October 2017	50,000	1,000	110,000	3,010,432	3,171,432
Period ended 30 September 2018 and total comprehensive income for the period	-	-	-	1,571,367	1,571,367
Balance at 30 September 2018	50,000	1,000	110,000	4,581,799	4,742,799
Period ended 30 September 2019 and total comprehensive income for the period	-	-	-	2,458,021	2,458,021
Balance at 30 September 2019	50,000	1,000	110,000	7,039,820	7,200,820

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

Company information

Sigma 3 (Kitchens) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Llantrisant Business Park, Llantrisant, PONTYCLUN, Mid Glamorgan, UK, CF72 8LF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

1.2 Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. In making their assessment the directors have reviewed the balance sheet, the likely future cash flows of the business and have considered the working capital facilities that are in place at the date of signing the report. As at 30 September 2019, the Company has cash at bank of £6,829,289 and net current assets of £6,426,398.

Post year end, as a consequence of the measures taken by the UK Government to manage the impact of Covid-19, the day to day operations of the business have been disrupted. It is difficult to evaluate all of the potential implications of these measures on the company's trade, customers, suppliers and the wider economy. However, based on the information that is currently known, the directors have prepared re-forecasts for the year and taken steps to manage the company's cash flow requirements during this period of uncertainty.

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

1.3 Turnover

Turnover which excludes value added tax and trade discounts represents the value of goods and services supplied. Turnover is recognised on dispatch of goods upon receipt of confirmation that services provided have been accepted by the customer.

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.

1.5 Tangible fixed assets

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

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

Provision for depreciation is made on a straight line basis to write off the cost of tangible fixed assets over the expected useful economic life of the assets concerned at the following rates:-

Leasehold Property Improvements	20%
Plant and machinery	10 - 33%
Fixtures, fittings & equipment	10 - 33%
Computer equipment	10 - 33%
Motor vehicles	20 - 50%

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.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) 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 (or cash-generating unit) 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.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to finished condition. Provision is made where necessary for obsolete, slow moving and defective stock.

1.8 Cash at bank and in hand

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.

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.9 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the 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.

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts 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 creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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.

Derecognition of financial liabilities

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

1.10 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 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 profit and loss account 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 has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or to a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.12 Employee benefits

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

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

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.

1.13 Retirement benefits

The pension schemes of the company are money purchase schemes which are administered by independent managed funds. The pension costs represent the contributions made by the company to the schemes.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged 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.

1.15 Government grants

Grants on capital expenditure are treated as deferred credit and are released to the profit and loss account in equal instalments over the estimated useful life of the related assets. Grants of a revenue nature are credited against the expense in the period to which they relate.

1.16 Cash flow statement

As the company is a member of a group that prepares publicly available consolidated financial statements which give a true and fair view, the exemption from publishing a cash flow statement as set out in paragraph 1.12(b) of FRS 102 has been taken.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

3 Turnover and other revenue

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

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	26,379,896	25,566,752
	<u> </u>	<u> </u>

Turnover attributable to each revenue stream has not been disclosed, as in the opinion of the directors this information would be prejudicial to the interests of the company.

4 Operating profit

	2019	2018
	£	£
Operating profit for the period is stated after charging/(crediting):		
Product development costs	60,440	93,878
Government grants	(60,000)	(60,000)
Fees payable to the company's auditor for the audit of the company's financial statements	10,500	10,000
Depreciation of owned tangible fixed assets	237,645	279,856
Depreciation of tangible fixed assets held under finance leases	145,970	145,970
Loss on disposal of tangible fixed assets	1,406	-
Cost of stocks recognised as an expense	10,875,858	11,101,004
Operating lease charges	693,645	704,950
	<u> </u>	<u> </u>

5 Employees

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

	2019	2018
	Number	Number
Production	86	84
Selling and distribution	79	75
Administration	56	56
	<u> </u>	<u> </u>
	221	215
	<u> </u>	<u> </u>

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

5 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	6,784,249	6,305,817
Social security costs	688,734	627,032
Pension costs	178,289	139,016
	<u>7,651,272</u>	<u>7,071,865</u>

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	427,501	418,098
Company pension contributions to defined contribution schemes	19,119	19,119
	<u>446,620</u>	<u>437,217</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

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

	2019 £	2018 £
Remuneration for qualifying services	137,487	150,891
Company pension contributions to defined contribution schemes	5,045	5,045
	<u>142,532</u>	<u>155,936</u>

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	22,425	7,309
	<u>22,425</u>	<u>7,309</u>

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on finance leases and hire purchase contracts	3,726	7,886
	<u>3,726</u>	<u>7,886</u>

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

9 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	529,887	419,752
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	50,359	(48,870)
	<u> </u>	<u> </u>
Total tax charge	580,246	370,882
	<u> </u>	<u> </u>

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	2018
	£	£
Profit before taxation	3,038,267	1,942,249
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	577,271	369,027
Tax effect of expenses that are not deductible in determining taxable profit	253	8,301
Tax effect of income not taxable in determining taxable profit	-	(11,400)
Permanent capital allowances in excess of depreciation	2,722	-
Deferred tax adjustments in respect of prior years	-	4,954
	<u> </u>	<u> </u>
Taxation charge for the period	580,246	370,882
	<u> </u>	<u> </u>

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

10 Tangible fixed assets

	Leasehold Property Improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
Cost						
At 1 October 2018	167,454	2,805,012	753,830	186,211	70,080	3,982,587
Additions	1,389	46,323	215,934	112,898	-	376,544
Disposals	(63,278)	(178,067)	(52,715)	-	-	(294,060)
At 30 September 2019	105,565	2,673,268	917,049	299,109	70,080	4,065,071
Depreciation and impairment						
At 1 October 2018	164,905	2,278,342	635,463	8,406	22,440	3,109,556
Depreciation charged in the year	681	269,672	87,863	15,783	9,616	383,615
Eliminated in respect of disposals	(63,278)	(176,660)	(52,716)	-	-	(292,654)
At 30 September 2019	102,308	2,371,354	670,610	24,189	32,056	3,200,517
Carrying amount						
At 30 September 2019	3,257	301,914	246,439	274,920	38,024	864,554
At 30 September 2018	2,549	526,670	118,367	177,805	47,640	873,031

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Plant and machinery	65,483	211,453
Depreciation charge for the year in respect of leased assets	145,970	145,970

11 Fixed asset investments

	2019 £	2018 £
Unlisted investments	57,500	57,500

The balances above relates to debentures held in the name of the company. The directors believe these to be held at fair value.

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

11	Fixed asset investments	(Continued)	
	Movements in fixed asset investments		Investments other than loans £
	Cost or valuation		
	At 1 October 2018 & 30 September 2019		57,500
	Carrying amount		
	At 30 September 2019		57,500
	At 30 September 2018		57,500
12	Financial instruments	2019	2018
		£	£
	Carrying amount of financial assets		
	Instruments measured at fair value through profit or loss	890	890
13	Stocks	2019	2018
		£	£
	Raw materials and consumables	1,202,289	1,120,515
	Work in progress	115,921	34,290
	Finished goods and goods for resale	201,755	220,672
		1,519,965	1,375,477
14	Debtors	2019	2018
	Amounts falling due within one year:	£	£
	Trade debtors	1,056,602	1,209,648
	Prepayments and accrued income	866,024	675,194
		1,922,626	1,884,842
15	Current asset investments	2019	2018
		£	£
	Unlisted investments	890	890

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Obligations under finance leases	18	47,611	126,472
Trade creditors		1,203,995	1,394,598
Corporation tax		181,853	194,344
Other taxation and social security		175,356	173,831
Other creditors		1,085,193	871,435
Payments received on accounts		981,487	1,163,579
Accruals and deferred income		170,877	182,917
		<u>3,846,372</u>	<u>4,107,176</u>

17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	18	-	47,604
Government grants	21	30,000	90,000
		<u>30,000</u>	<u>137,604</u>

18 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	47,611	126,473
In two to five years	-	47,603
	<u>47,611</u>	<u>174,076</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	20	<u>117,632</u>	<u>67,273</u>

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	127,234	84,314
Pension	(2,789)	(28)
Provision	(1,713)	(1,713)
Unamortised grant	(5,100)	(15,300)
	<u>117,632</u>	<u>67,273</u>
		2019
Movements in the year:		£
Liability at 1 October 2018		67,273
Charge to profit or loss		50,359
		<u>117,632</u>
Liability at 30 September 2019		<u>117,632</u>

The deferred tax liability set out above relates to accelerated capital allowances that are expected to reverse in line with the associated depreciation rates.

21 Government grants

The Company has received local government grants totalling £300,000 in previous accounting periods. The balance was deferred on the balance sheet and is released over the estimated useful life of the related assets.

An amount of £60,000 was credited to the profit and loss account in the year.

The Company has certain obligations to Welsh Government in relation to this grant for a period of 3 years from receipt of the grant. If these obligations are not met then the company may have to repay all or part of the grant. The Directors have reviewed the terms of the grant and are satisfied that all conditions at the year end have been met and as such no provision is required.

22 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	178,289	139,016
	<u>178,289</u>	<u>139,016</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

SIGMA 3 (KITCHENS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

23 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary Shares of 50p each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

24 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
	£	£
Within one year	321,627	328,293
Between two and five years	495,173	730,228
In over five years	55,550	85,850
	<u>872,350</u>	<u>1,144,371</u>

25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£	£
Acquisition of tangible fixed assets	312,628	-
	<u>312,628</u>	<u>-</u>

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	924,242	958,695
	<u>924,242</u>	<u>958,695</u>

27 Ultimate controlling party

The immediate and ultimate parent undertaking is Sigma 3 (Holdings) Limited, which owns 100% of the equity share capital and is registered in England and Wales. Mr B C Lakin is the ultimate controlling party by virtue of his controlling interest in the equity share capital of Sigma 3 (Holdings) Limited.

