

**COMPANY REGISTRATION NUMBER: 00709812**

**F P HERTING & SON PLC  
FINANCIAL STATEMENTS  
31 DECEMBER 2017**



**KING & KING**  
Chartered accountant & statutory auditor  
First Floor Roxburghe House  
273-287 Regent Street  
London  
W1B 2HA

**F P HERTING & SON PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2017**

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**F P HERTING & SON PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**

<b>THE BOARD OF DIRECTORS</b>	J P Herting J Herting P Herting N Herting
<b>REGISTERED OFFICE</b>	1st Floor, Roxburghe House 273 - 287 Regent Street London W1B 2HA
<b>AUDITOR</b>	King & King Chartered accountant & statutory auditor First Floor Roxburghe House 273-287 Regent Street London W1B 2HA
<b>BANKERS</b>	National Westminster Bank Plc Piccadilly and New Bond Street 63 - 65 Piccadilly London W1J 0AJ

**F P HERTING & SON PLC**  
**STRATEGIC REPORT**  
**YEAR ENDED 31 DECEMBER 2017**

The directors present their strategic report for the year ended 31st December 2017.

The principal activity of the company continued to be that of the supply of fixings and ironmongery to the construction industry.

1. Fair review of the company business:

The company performed well in an expanding economic environment by increasing its sales and by its continual review of operating costs. This resulted in an improvement of net profit and there was an increase in net assets of £893,095 (2016: £1,487,126)

2. Description of the principal risks and uncertainties of the company:

The company's operations expose it to a variety of financial risks that include changes in credit risk, liquidity risk and interest rate risk.

Exchange rate risk

As the company transacts substantially in £ sterling, it is not exposed to currency rate risk. There are an amount of transactions in US \$, for which the company operates a separate bank account. Forward transactions are carried out on a case by case basis in order to manage the risk.

Interest rate cash flow risk

The company has interest bearing loans comprising of a bank loan on which interest is charged at variable rates, and a pension fund loan which is fixed for the duration of the loan.

Liquidity risk

The Board actively manages cash, bank and overdraft balances to ensure that the company has sufficient funds for operations and any planned expansion.

Credit risk

The company has policies that require appropriate credit checks on potential customers before sales are made. Additionally, the company adopts a strict policy on the collection of debtor balances.

3. Comprehensive analysis of the development and performance of the company over the year:

The company's principal focus during the financial year was to increase sales whilst maintaining the gross profit margin on those sales.

4. Position of the company's business at the year end:

The company finished the year having increased profit in an expanding trading environment. The company continues to develop its product base. This in turn, allows a greater foothold in the market, so securing market share.

# F P HERTING & SON PLC

## STRATEGIC REPORT *(continued)*

### YEAR ENDED 31 DECEMBER 2017

5. Key performance indicators:	2017	2016
Gross profit margin	43.60%	46.28%
Debtor collection days	44 days	45 days
Creditor payment days	49 days	57 days
Stock turnover	2.78 times	2.62 times

This report was approved by the board of directors on 12 April 2018 and signed on behalf of the board by:



J P Herting  
Director



N Herting  
Director

Registered office:  
1st Floor, Roxburghe House  
273 - 287 Regent Street  
London  
W1B 2HA

# **F P HERTING & SON PLC**

## **DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2017**

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

### **DIRECTORS**

The directors who served the company during the year were as follows:

J P Herting  
J Herting  
P Herting  
N Herting

### **DIVIDENDS**

Particulars of recommended dividends are detailed in note 12 to the financial statements.

### **FUTURE DEVELOPMENTS**

The board of directors forecast 2018 to continue with a steady increase in turnover. The housing market in the UK continues to be extremely buoyant despite concerns over the UK's decision to leave the European Union. The Help to Buy scheme continues in helping people to get on the housing ladder. The company is seeing growth in new products particularly in architectural ironmongery where it is gaining market share.

### **FINANCIAL INSTRUMENTS**

Details of the financial instruments are provided in the strategic report on page 2.

### **DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT**

In accordance with section 414A of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, the Directors have prepared the Strategic Report for the company.

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the strategic report, directors' 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 the profit or loss of the company for that period.

# F P HERTING & SON PLC

## DIRECTORS' REPORT *(continued)*

### YEAR ENDED 31 DECEMBER 2017

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;
- 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.

#### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 12 April 2018 and signed on behalf of the board by:



J P Herting  
Director



N Herting  
Director

Registered office:  
1st Floor, Roxburghe House  
273 - 287 Regent Street  
London  
W1B 2HA

# **F P HERTING & SON PLC**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F P HERTING & SON PLC**

**YEAR ENDED 31 DECEMBER 2017**

### **OPINION**

We have audited the financial statements of F P Herting & Son PLC (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, 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).

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.

In our opinion the financial statements:

- 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;
- 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.



# **F P HERTING & SON PLC**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F P HERTING & SON PLC *(continued)***

**YEAR ENDED 31 DECEMBER 2017**

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

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 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 have been prepared in accordance with applicable legal requirements.

# **F P HERTING & SON PLC**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F P HERTING & SON PLC** *(continued)*

**YEAR ENDED 31 DECEMBER 2017**

### **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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

# **F P HERTING & SON PLC**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F P HERTING & SON PLC *(continued)***

### **YEAR ENDED 31 DECEMBER 2017**

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**F P HERTING & SON PLC**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F P HERTING &  
SON PLC *(continued)***

**YEAR ENDED 31 DECEMBER 2017**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*King & King*

Rajendrakumar Patel (Senior Statutory Auditor)

For and on behalf of  
King & King  
Chartered accountant & statutory auditor  
First Floor Roxburghe House  
273-287 Regent Street  
London  
W1B 2HA

12 April 2018

**F P HERTING & SON PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>TURNOVER</b>	<b>4</b>	<b>28,158,906</b>	25,382,521
Cost of sales		<u>15,882,563</u>	<u>13,634,351</u>
<b>GROSS PROFIT</b>		<b>12,276,343</b>	11,748,170
Distribution costs		3,407,393	3,374,218
Administrative expenses		<u>3,616,310</u>	<u>3,736,535</u>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>5,252,640</b>	4,637,417
Other interest receivable and similar income	9	227	–
Interest payable and similar expenses	10	<u>41,202</u>	<u>43,619</u>
<b>PROFIT BEFORE TAXATION</b>		<b>5,211,665</b>	4,593,798
Tax on profit	11	<u>1,036,070</u>	<u>956,672</u>
<b>PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u><b>4,175,595</b></u>	<u>3,637,126</u>

All the activities of the company are from continuing operations.

The notes on pages 16 to 28 form part of these financial statements.

**F P HERTING & SON PLC**  
**STATEMENT OF FINANCIAL POSITION**

**31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	13	3,063,437	3,384,374
<b>CURRENT ASSETS</b>			
Stocks	14	5,766,796	5,631,135
Debtors	15	4,557,811	4,098,946
Cash at bank and in hand		56,482	103,493
		<u>10,381,089</u>	<u>9,833,574</u>
<b>CREDITORS: amounts falling due within one year</b>	17	<u>5,523,377</u>	<u>5,801,793</u>
<b>NET CURRENT ASSETS</b>		<u>4,857,712</u>	<u>4,031,781</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,921,149</u>	<u>7,416,155</u>
<b>CREDITORS: amounts falling due after more than one year</b>	18	715,000	1,064,071
<b>PROVISIONS</b>			
Taxation including deferred tax	20	<u>72,670</u>	<u>111,700</u>
<b>NET ASSETS</b>		<u>7,133,479</u>	<u>6,240,384</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	23	50,000	50,000
Profit and loss account	24	<u>7,083,479</u>	<u>6,190,384</u>
<b>SHAREHOLDERS FUNDS</b>		<u>7,133,479</u>	<u>6,240,384</u>

These financial statements were approved by the board of directors and authorised for issue on 12 April 2018, and are signed on behalf of the board by:



J P Herting  
Director



N Herting  
Director

Company registration number: 00709812

**The notes on pages 16 to 28 form part of these financial statements.**

**F P HERTING & SON PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2017**

		Called up share capital £	Profit and loss account £	<b>Total £</b>
<b>AT 1 JANUARY 2016</b>		50,000	4,703,258	4,753,258
Profit for the year			<u>3,637,126</u>	<u>3,637,126</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			– 3,637,126	3,637,126
Dividends paid and payable	12		<u>– (2,150,000)</u>	<u>(2,150,000)</u>
<b>TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS</b>			– (2,150,000)	(2,150,000)
<b>AT 31 DECEMBER 2016</b>		50,000	6,190,384	<b>6,240,384</b>
Profit for the year			<u>4,175,595</u>	<u>4,175,595</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			– 4,175,595	4,175,595
Dividends paid and payable	12		<u>– (3,282,500)</u>	<u>(3,282,500)</u>
<b>TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS</b>			– (3,282,500)	(3,282,500)
<b>AT 31 DECEMBER 2017</b>		<u>50,000</u>	<u>7,083,479</u>	<u>7,133,479</u>

The notes on pages 16 to 28 form part of these financial statements.

**F P HERTING & SON PLC**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the financial year		4,175,595	3,637,126
<i>Adjustments for:</i>			
Depreciation of tangible assets		592,067	537,844
Other interest receivable and similar income		(227)	-
Interest payable and similar expenses		41,202	43,619
(Gains)/loss on disposal of tangible assets		(615)	113,644
Tax on profit		1,036,070	956,672
Accrued expenses/(income)		27,554	(79,175)
<i>Changes in:</i>			
Stocks		(135,661)	(1,103,199)
Trade and other debtors		(458,865)	(626,802)
Trade and other creditors		(97,064)	117,945
Cash generated from operations		<u>5,180,056</u>	<u>3,597,674</u>
Interest paid		(41,202)	(43,619)
Interest received		227	-
Tax paid		(979,012)	(828,241)
Net cash from operating activities		<u>4,160,069</u>	<u>2,725,814</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets		(436,315)	(1,031,937)
Proceeds from sale of tangible assets		165,800	348,169
Net cash used in investing activities		<u>(270,515)</u>	<u>(683,768)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		(249,161)	28,412
Payments of finance lease liabilities		(433,117)	224,096
Dividends paid		(3,282,500)	(2,150,000)
Net cash used in financing activities		<u>(3,964,778)</u>	<u>(1,897,492)</u>

The statement of cash flows  
continues on the following page.

**The notes on pages 16 to 28 form part of these financial statements.**



**F P HERTING & SON PLC**  
**STATEMENT OF CASH FLOWS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(75,224)	144,554
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>(217,884)</u>	<u>(362,438)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	16	<u>(293,108)</u>	<u>(217,884)</u>

The notes on pages 16 to 28 form part of these financial statements.

# **F P HERTING & SON PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2017**

### **1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 1st Floor, Roxburghe House, 273 - 287 Regent Street, London, W1B 2HA.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### **3. ACCOUNTING POLICIES**

#### **BASIS OF PREPARATION**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **REVENUE RECOGNITION**

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

#### 3. ACCOUNTING POLICIES *(continued)*

##### INCOME TAX

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

##### FOREIGN CURRENCIES

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

##### TANGIBLE ASSETS

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

##### DEPRECIATION

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Fixtures and fittings	-	15% reducing balance
Motor vehicles	-	33% reducing balance
Website, Computer & IT	-	30% reducing balance

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2017

### 3. ACCOUNTING POLICIES *(continued)*

#### IMPAIRMENT OF FIXED ASSETS

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

#### STOCKS

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

#### FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

#### PROVISIONS

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2017

### 3. ACCOUNTING POLICIES *(continued)*

#### PROVISIONS *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

#### FINANCIAL INSTRUMENTS

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2017

### 3. ACCOUNTING POLICIES *(continued)*

#### FINANCIAL INSTRUMENTS *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### DEFINED CONTRIBUTION PLANS

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

### 4. TURNOVER

Turnover arises from:

	2017	2016
	£	£
Sale of goods	<u>28,158,906</u>	<u>25,382,521</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

### 5. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible assets	592,067	537,844
(Gains)/loss on disposal of tangible assets	(615)	113,644
Impairment of trade debtors	14,554	19,638
Operating lease rentals	46,283	26,881
Foreign exchange differences	<u>1,850</u>	<u>(643)</u>

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**YEAR ENDED 31 DECEMBER 2017**

### 6. AUDITOR'S REMUNERATION

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>15,000</u>	<u>14,500</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>24,000</u>	<u>22,000</u>

### 7. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Distribution staff	82	81
Administrative staff	<u>53</u>	<u>52</u>
	<u>135</u>	<u>133</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	3,984,041	4,009,560
Social security costs	406,654	405,880
Other pension costs	<u>52,035</u>	<u>53,145</u>
	<u>4,442,730</u>	<u>4,468,585</u>

### 8. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	306,121	397,279
Company contributions to defined contribution pension plans	<u>20,000</u>	<u>20,000</u>
	<u>326,121</u>	<u>417,279</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017	2016
	No.	No.
Defined contribution plans	<u>2</u>	<u>2</u>

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

#### 8. DIRECTORS' REMUNERATION *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2017	2016
	£	£
Aggregate remuneration	<u>134,538</u>	<u>231,542</u>

#### 9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Other interest received	<u>227</u>	<u>—</u>

#### 10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Interest on banks loans and overdrafts	26,151	35,276
Interest on obligations under finance leases and hire purchase contracts	14,982	8,289
Other interest payable and similar charges	<u>69</u>	<u>54</u>
	<u>41,202</u>	<u>43,619</u>

#### 11. TAX ON PROFIT

Major components of tax expense

	2017	2016
	£	£
<b>Current tax:</b>		
UK current tax expense	1,075,100	968,187
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>(39,030)</u>	<u>(11,515)</u>
<b>Tax on profit</b>	<u>1,036,070</u>	<u>956,672</u>



# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

#### 11. TAX ON PROFIT *(continued)*

##### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	<u>5,211,665</u>	<u>4,593,798</u>
Profit on ordinary activities by rate of tax	1,016,275	918,759
Effect of expenses not deductible for tax purposes	25,883	25,971
Effect of capital allowances and depreciation	<u>(6,088)</u>	<u>11,942</u>
Tax on profit	<u>1,036,070</u>	<u>956,672</u>

#### 12. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2017 £	2016 £
Dividends on equity shares	<u>3,282,500</u>	<u>2,150,000</u>

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

#### 13. TANGIBLE ASSETS

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Website, Computer & IT £	Total £
<b>Cost</b>					
At 1 January 2017	2,963,122	1,371,428	2,034,001	127,188	<b>6,495,739</b>
Additions	–	–	372,023	64,292	<b>436,315</b>
Disposals	–	–	(294,084)	–	<b>(294,084)</b>
<b>At 31 December 2017</b>	<u>2,963,122</u>	<u>1,371,428</u>	<u>2,111,940</u>	<u>191,480</u>	<u><b>6,637,970</b></u>
<b>Depreciation</b>					
At 1 January 2017	1,272,251	1,232,795	479,875	126,444	<b>3,111,365</b>
Charge for the year	59,262	20,795	510,626	1,384	<b>592,067</b>
Disposals	–	–	(128,899)	–	<b>(128,899)</b>
<b>At 31 December 2017</b>	<u>1,331,513</u>	<u>1,253,590</u>	<u>861,602</u>	<u>127,828</u>	<u><b>3,574,533</b></u>
<b>Carrying amount</b>					
<b>At 31 December 2017</b>	<u>1,631,609</u>	<u>117,838</u>	<u>1,250,338</u>	<u>63,652</u>	<u><b>3,063,437</b></u>
At 31 December 2016	<u>1,690,871</u>	<u>138,633</u>	<u>1,554,126</u>	<u>744</u>	<u><b>3,384,374</b></u>

The freehold property was valued in May 2008 by Cluttons Chartered Surveyors on behalf of the bank. Their valuation states that the open market value amounts to approximately £8,000,000. The valuation was required to provide security for bank facilities. The company has not adopted a policy of revaluation.

#### Hire purchase agreements

Included within the net book value of £3,063,437 is £767,622 (2016: £1,151,433) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £383,811. (2016: £191,739)

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**YEAR ENDED 31 DECEMBER 2017**

### 14. STOCKS

	2017	2016
	£	£
Raw materials and consumables	<u>5,766,796</u>	<u>5,631,135</u>

### 15. DEBTORS

	2017	2016
	£	£
Trade debtors	4,093,195	3,756,871
Prepayments and accrued income	358,899	166,133
Other debtors	105,717	175,942
	<u>4,557,811</u>	<u>4,098,946</u>

### 16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2017	2016
	£	£
Cash at bank and in hand	56,482	103,493
Bank overdrafts	<u>(349,590)</u>	<u>(321,377)</u>
	<u>(293,108)</u>	<u>(217,884)</u>

### 17. CREDITORS: amounts falling due within one year

	2017	2016
	£	£
Bank loans and overdrafts	479,590	451,377
Trade creditors	2,596,047	2,777,182
Accruals and deferred income	71,554	44,000
Corporation tax	534,707	438,619
Social security and other taxes	625,910	429,017
Obligations under finance leases and hire purchase contracts	219,071	433,117
Director loan accounts	83,649	202,810
RBS invoice factoring account	755,827	870,612
Other creditors	157,022	155,059
	<u>5,523,377</u>	<u>5,801,793</u>

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

**17. CREDITORS: amounts falling due within one year** *(continued)*

The bank loan and overdraft are secured by means of a fixed and floating charge over the freehold property owned by the company, being Frederick House, 25 Armstrong Way, Great Western Industrial Park, Southall, Middlesex UB2 4SD and all the assets of the company.

The invoice factoring creditor balance is secured by means of a fixed and floating charge over trade debtors and all the assets of the company.

**18. CREDITORS: amounts falling due after more than one year**

	2017	2016
	£	£
Bank loans and overdrafts	715,000	845,000
Obligations under finance leases and hire purchase contracts	–	219,071
	715,000	1,064,071

The bank loan and overdraft are secured by means of a fixed and floating charge over the freehold property owned by the company, being Frederick House, 25 Armstrong Way, Great Western Industrial Park, Southall, Middlesex UB2 4SD and all the assets of the company.

**19. FINANCE LEASES AND HIRE PURCHASE CONTRACTS**

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2017	2016
	£	£
Not later than 1 year	219,071	433,117
Later than 1 year and not later than 5 years	–	219,071
	219,071	652,188

**20. PROVISIONS**

	Deferred tax (note 21)
	£
At 1 January 2017	111,700
Additions	(39,030)
<b>At 31 December 2017</b>	<b>72,670</b>

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

#### 21. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£	£
Included in provisions (note 20)	<u>72,670</u>	<u>111,700</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Accelerated capital allowances	<u>72,670</u>	<u>111,700</u>

#### 22. EMPLOYEE BENEFITS

##### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £32,035 (2016: £33,145).

#### 23. CALLED UP SHARE CAPITAL

##### Authorised share capital

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

##### Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

#### 24. RESERVES

Profit and loss account - This reserve records retained earnings and accumulated losses.

#### 25. CONTINGENCIES

The company has a bond with H M Revenue and Customs in respect of Value Added Tax totalling £120,000. This is a deferment notice in respect of input VAT on imported products.

# F P HERTING & SON PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2017

#### **26. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The balance on the directors loan accounts as at 31 December 2017 was £83,649 (2016: £202,810) in credit. The directors are not charging interest on this outstanding balance.

#### **27. RELATED PARTY TRANSACTIONS**

No other transactions with related parties were undertaken such as are required to be disclosed under FRS 102.

#### **28. CONTROLLING PARTY**

The company was under the control of Mr J P Herting, a director, and members of his close family throughout the current and previous year.