Registered number: 01401268

Kennedy Hygiene Products Limited
Annual Report
for the year ended 31 December 2019

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Directors and advisers

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C Roche
B Morin

Independent auditor
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E1W 1DD

Bankers
Barclays Bank PLC
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Ashford
TN24 8LF

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DMH Stallard
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Brookside
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East Sussex
TN22 1YA

Strategic report for the year ended 31 December 2019

The directors present their Strategic report for Kennedy Hygiene Products Limited (the "Company") for the year ended 31 December 2019.

Principal activity

The principal activity continues to be the manufacture and trade in engineering products for the towel rental industry and washroom service market.

Adoption of new accounting standards

During the year, the Company adopted IFRS 16 which became mandatory during the year. The Company has elected to apply the modified retrospective approach for the first time application of the new standard. The impact of the adoption of this standard is immaterial.

Business review

The financial year covered in this report was again an extremely competitive one reflecting the current volatility of the Euro and the general global economic conditions. The Company has continued to witness a move away from the production of towel cabinets towards tendering for bespoke work to a number of new clients, which has proven very successful.

Future outlook

The future is likely to remain very competitive in many areas of the Company's business. Focus has been concentrated on sales progression, control of margins and control of costs. The Company continues to plan its material usage requirements in order to ensure the best use is made from its inventory whilst still maintaining its ability to negotiate favorable prices from suppliers. The Company has over many years built up a reputation for producing quality products based on continual monitoring and focus on design and innovation. The year begins with a number of opportunities which should enable the Company to improve on its positioning during 2020 and beyond. There are various work in progress R&D projects that crossover at the year-end which are to be further developed into 2020. The Company is continuing with the development of electronics for inclusion within its existing range of products and as mentioned above it continues to work closely with a number of third party clients to develop everything from a one off product through to a complete range of products.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company continue to be the price of raw materials and the volatility of the global economic conditions which are affecting consumer demand, both of which impact on margins and funds available for future investment. Following the Brexit vote in June 2016 and the UK position to subsequently leave the EU this will impact many UK businesses in all areas of business from financial, to client lists and trade agreements. As yet, the extent of this overall impact is unknown to all.

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, price risk, interest rate risk and foreign exchange risk which are actively monitored by the directors.

The board's policies for managing the Company's financial risks are implemented by the Company's finance department.

Strategic report for the year ended 31 December 2019 (continued)

Credit risk
The Company has procedures in place that monitor appropriate credit facilities for existing and potential customers before sales are made. Deposits are held at Barclays Bank Plc, however, the financial performance and credit rating of this organisation is monitored and gives the Company's directors no cause for concern.

Liquidity risk
The Company maintains an appropriate balance of cash and parent company finance that is designed to ensure the Company has sufficient available funds for working capital operations and planned capital expenditure.

Price risk
The Company's results are sensitive, in part, to the market pricing of Acrylonitrile Butadiene Styrene (ABS), which is linked to the price of oil and the worldwide production volumes. In order to mitigate pricing fluctuations from its moulders, the Company controls this by forward planning orders at agreed prices, closely monitoring consumption rates and seeking alternative options. Whilst the Company cannot exercise control over the worldwide production of ABS, the Company discusses, with the key producers, future requirements and plans the procurement accordingly.

Interest rate risk
The Company had both interest bearing assets and interest bearing liabilities during the year. The interest bearing assets are cash balances and intercompany loans and the interest bearing liabilities were preference shares. The Company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Foreign exchange risk
Forward contracts denominated in Euro can be used and have been used in past years to both stabilise and obtain a favourable exchange rate against sterling.

COVID-19 risk
Due to the current global COVID-19 coronavirus outbreak, the Company is monitoring the current situation and assessing the impact on a regular basis as the situation evolves. Further information is included in the post balance sheet events note to the accounts.

Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators (KPIs)

Given the straightforward nature of the business the Company's directors are of the opinion that no added value would be achieved in detailing KPIs for a fuller understanding of the development, performance and position of the Company.

Approved by the board on
and signed on its behalf by

roche
roche (Dec 15, 2020 17:48 GMT+1)

C Roche
Director Dec 15, 2020

Directors' report for the year ended 31 December 2019

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

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Results and dividends

The profit for the financial year amounted to £1,530,332 (2018: £1,494,340). During the financial year ended 31 December 2019, no ordinary dividend was paid (2018: nil). No final ordinary dividends are proposed (2018: £nil). Preference dividends are accrued at the rate of 5% (2018:5%) per annum on £800,000 preference share capital being £40,000 (2018: £40,000).

Directors

The directors who held office during the financial year and up to the date of signing the financial statements unless otherwise stated are as follows:

C Roche
B Morin

Research and development

The Company continually reviews market requirements for product innovation. In response to these requirements the Company continues to invest in research and development. During the past year the Company has been developing further its Hycare cabinet. Work is further progressing in the area of electronics for incorporation into its range of products.

Creditor payment policy

The Company does not have a written policy on the payment of creditors. However, the Company intends to pay all trade creditors promptly within the terms agreed with them.

Employment of disabled persons

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitude and abilities. Disabled employees receive appropriate training to promote their career development within the Company. Employees who become disabled are retained in their existing posts where applicable or retrained for suitable alternative posts.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position, are set out in the Strategic Report. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis in preparing the financial statements.

Directors' report for the year ended 31 December 2019 (continued)

Brexit and COVID-19 impact

The directors have assessed the impact of Brexit and COVID-19 and believe that, although significant uncertainty exists, there will be no material impact on the trade and operations of the company.

The directors are satisfied that it is appropriate to prepare accounts on a going concern basis and consider COVID-19 to be a non-adjusting post balance sheet event. Further information is included in the notes to the accounts to support this.

Disclosure in the Strategic report

As permitted by Paragraph 1A of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report on pages 2-4. These matters relate to the principal activities of the business and the review of the business and future developments.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

UK 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'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

Directors' report for the year ended 31 December 2019 (continued)

Statement on disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the board on
and signed on its behalf by

roche
roche (Dec 15, 2020 17:48 GMT+1)

C Roche
Director

Dec 15, 2020

Independent auditor's report to the members of Kennedy Hygiene Products Limited

Opinion

We have audited the financial statements of Kennedy Hygiene Products Limited (the 'Company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 3, and the consideration in the going concern basis of preparation on page 18 and non- adjusting post balance sheet events on page 28.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and the pandemic has caused widespread disruption to normal patterns of business activity across the world, including the UK. The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

Independent auditor's report to the members of Kennedy Hygiene Products Limited (continued)

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 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.

Matters on which we are required to report by exception

In 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.

Independent auditor's report to the members of Kennedy Exports Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Neale Bussey
Neale Bussey (Dec 16, 2020 16:04 GMT)

William Neale Bussey (Senior statutory auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: Dec 16, 2020

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	£	Year ended 31 December 2018 £	£
Turnover	3		**14,582,300**		12,814,121
Cost of sales			**(9,363,175)**		(8,325,149)
Gross profit			**5,219,125**		4,488,972
Distribution costs		**(1,858,146)**		(1,565,457)	
Administrative expenses		**(1,466,451)**		(1,072,466)	
			(3,324,597)		(2,637,923)
Operating profit	4		**1,894,528**		1,851,049
Interest receivable and similar income	7		**42,519**		36,581
Interest payable and similar charges	8		**(40,000)**		(40,240)
Profit on ordinary activities before taxation			**1,897,047**		1,847,390
Tax on profit on ordinary activities	9		**(366,715)**		(353,050)
Profit for the year			**1,530,332**		1,494,340
Other Comprehensive Income			-		-
Total comprehensive income for the year			**1,530,332**		1,494,340

The above results relate entirely to continuing activities.

The notes on pages 14 to 29 part of these financial statements.

Kennedy Hygiene Products Limited

Registered number: 01401268

Statement of Financial Position as at 31 December 2019

	Note	31 December 2019		31 December 2018	
		£	£	£	£
Fixed assets					
Tangible assets	11a		**443,720**		576,232
Right of use asset	11b		**25,329**		-
Intangible assets	11c		**3,154,545**		2,333,562
Investments	12		**2,553,846**		2,553,846
			6,177,440		5,463,640
Current assets					
Stocks	13	**3,415,657**		2,172,668	
Debtors	14	**6,277,345**		5,578,270	
Cash at bank and in hand		**290,606**		215,708	
		9,983,608		7,966,646	
Creditors: amounts falling due within one year	15a	**(5,337,220)**		(4,136,790)	
Net current assets			**4,646,388**		3,829,856
Total assets less current liabilities			**10,823,828**		9,293,496
Creditors: amounts falling due after more than one year	15b		**(667,000)**		(667,000)
Net assets			**10,156,828**		8,626,496
Capital and reserves					
Called up share capital	16		**238,000**		238,000
Profit and loss account			**9,918,828**		8,388,496
Total shareholders' funds			**10,156,828**		8,626,496

These financial statements were approved by the board of directors on and were signed on its behalf by:

roche

roche (Dec 15, 2020 17:48 GMT+1)

C Roche
Director **Date** Dec 15, 2020

The notes on pages 14 to 29 form part of these financial statements.

Kennedy Hygiene Products Limited **Registered number: 01401268**

Statement of Changes in Equity as at 31 December 2019

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2018	238,000	6,894,156	7,132,156
Total comprehensive income for the year	-	1,494,340	1,494,340
At 31 December 2018	**238,000**	**8,388,496**	**8,626,496**

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2019	238,000	8,388,496	8,626,496
Total comprehensive income for the year	-	1,530,332	1,530,332
At 31 December 2019	**238,000**	**9,918,828**	**10,156,828**

The profit and loss account relates to accumulated profits and losses of the Company.

The notes on pages 14 to 29 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2019

1. Accounting policies

General information

Kennedy Hygiene Products Limited is a private company, limited by shares, incorporated in England and Wales. The address of its registered office and principal place of business is Brookside, Uckfield, East Sussex, TN22 1YA

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

IFRS 1 permits the Company to take advantage of certain exemptions from applying the requirements on a fully retrospective basis as at the date of transition in certain instances.

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

i) The requirements of IFRS 2 'Share-based Payment' paragraphs 45(b) and 46 to 52 relating to certain disclosure requirements on share-based payments;
ii) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
iii) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'
iv) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.
v) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e));
vi) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;
vii) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Disclosure exemptions applied (continued)

viii) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

ix) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;

x) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;

xi) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(A) relating to the disclosure of key management personnel compensation and the requirements relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group; and

xii) The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing;

For the disclosure exemptions listed in points (i) to (iii), the equivalent disclosures are included in the consolidated financial statements of the group, Elis S.A., which the Company is consolidated into.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Depreciation charged is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Tooling	-	5 years
Equipment	-	5 years

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The useful economic lives of intangible assets are as follows:

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Intangible assets (continued)

Development costs – 5 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ, the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. All foreign exchange gains and losses are taken to the profit and loss account in the financial year in which they arise.

Leases

Leases are recognised as finance leases when the underlying asset is of significant value. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

Leases for assets that are not of significant value are charged to income on a straight line basis over the lease term.

Pensions and other post-retirement benefits

The Company operates a defined contribution scheme. The pension cost charge represents contributions payable by the Company to the individual funds in respect of the financial year.

Stock

Stock are stated at the lower of cost and net realisable value on a "first in, first out" basis. 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. Work in progress and finished goods manufactured by the Company are stated at cost plus attributable overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stock.

Turnover

Turnover represents the amounts excluding value added tax derived from the sale of goods during the financial year. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, with risks and rewards transferring to the customer.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Fixed asset investments
Investments are recorded at cost plus incidental expenses less any provision for impairment.

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that any items of fixed assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an 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 the asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Income tax
Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Research and development expenditure
Expenditure on research is charged to the profit and loss account in the period after it is incurred. Expenditure on the development of certain major new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility, capitalised as intangible assets.

Interest-bearing loans and borrowings
All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount. Accrued finance costs may be included in accruals rather than in the carrying amount of the debt.

Share based payments
Elis S.A. (the Company's ultimate parent company) operates a share option scheme under which options over shares in Elis S.A. have been granted to certain company employees. The Directors do not consider the associated share based payment charge to be material and, as permitted by FRS 101, the Company has applied the disclosure exemptions available in respect of share based payments.

Going concern
The directors have assessed whether the going concern basis of preparation continues to be appropriate, based on whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. This assessment has been required in light of the significant uncertainty around the short to medium term impact of the spread of the COVID-19 virus.

At the time of approving the financial statements the directors believe that all appropriate measures have been or will be taken to ensure that the company will be able to continue its operations for at least the next twelve months and thus conclude that the going concern basis remains appropriate

2. Critical accounting judgements and key sources of estimation uncertainties

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both internal and external sources of information such as market conditions, projected future operating results, significant changes in product trends, a significant change in the strategy for our business and where applicable, the ability of the asset to be operated as planned. There have been no indicators of impairment identified during the current financial year.

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. Critical accounting judgements and key sources of estimation uncertainties (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, 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.

(ii) Recoverability of debtors

The company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability, the directors have considered factors such as the aging of the debtors, past experience of recoverability, and the credit profile of individual or companies of customers.

(iii) Determining residual values and useful economic lives of tangible assets

The company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of tangible assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is also applied, when determining the residual values for fixed assets. When determining the residual value, the directors have assessed the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible this is done with reference to external market prices.

3. Turnover

The analysis of turnover by geographical area, by destination, which solely relates to the manufacture and trade in engineering products for the towel rental industry and washroom service market:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
United Kingdom	2,821,295	2,673,339
France	6,071,472	5,573,793
Rest of the World	5,689,533	4,566,989
	14,582,300	12,814,121

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Operating profit

Operating profit is stated after charging the following:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Auditor's remuneration – audit services	**34,847**	27,962
Depreciation of owned tangible fixed assets	**243,849**	313,655
Amortisation of development costs	**4,093**	-
Depreciation of right of use assets	**10,829**	-
Research expenditure	**262,297**	261,949
Operating leases – building	**300,000**	300,000
Operating leases – other	**15,243**	16,644
Net exchange losses/(gains)	**238,947**	(134,576)

The above audit fee disclosed includes the cost of the audit of Kennedy Exports Limited which is borne by the Company.

5. Remuneration of directors

The directors received no remuneration from the Company in the current or prior year. The emoluments of the directors, who are directors of the intermediate parent company Novalis S.A., are disclosed in that company's financial statements in respect of their services to the group as a whole. It is not possible to make an apportionment of that remuneration that relates to services to the Company.

6. Staff numbers and costs

The average monthly number of employees, including directors on a service contract, employed by the Company during the financial year, analysed by activity, was as follows:

	Number of employees	
By activity:	Year ended 31 December 2019	Year ended 31 December 2018
Office and management	**25**	23
Factory staff	**24**	24
	49	47

Notes to the financial statements for the year ended 31 December 2019 (continued)

6. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Wages and salaries	**1,505,766**	1,384,112
Social security costs	**168,594**	165,742
Pension costs (note 18)	**54,423**	39,884
	1,728,783	1,589,738

7. Interest receivable and similar income

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest receivable from bank	**-**	-
Interest receivable from group undertaking	**42,519**	36,581
	42,519	36,581

8. Interest payable and similar charges

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Preference share dividends: 5p per £1 share	**40,000**	40,000
Interest payable to bank	**-**	-
Other interest		240
	40,000	40,240

Notes to the financial statements for the year ended 31 December 2019 (continued)

9. Tax on profit on ordinary activities

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Analysis of tax charge in the year		
Current tax:		
UK corporation tax on profits for the year	**380,208**	388,501
(Over)/under provision in respect of previous years	**(13,493)**	(35,451)
Total current tax	**366,715**	353,050
Deferred tax:		
Origination and reversal of timing differences	**-**	-
Changes in tax rates and laws	**-**	-
Total deferred tax	**-**	-
Total tax charge	**366,715**	353,050

Factors affecting tax charge for the year

The tax assessed for the financial year is higher (2018: higher) than the standard effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit on ordinary activities before tax	**1,897,047**	1,847,390
Profit on ordinary activities multiplied by standard rate in the UK of 19% (2018: 19%)	**360,439**	351,004
Effects of:		
Adjustments in respect of previous years	**(13,493)**	(35,451)
Preference share dividend not deductible	**7,600**	7,600
Other items	**12,169**	29,897
Total tax charge for year	**366,715**	353,050

Factors affecting future tax charges

The UK corporation tax rate has remained at 19%, the proposed drop to 17% from 1 April 2020 did not happen.

10. Dividends

No dividends were paid on ordinary shares in the year (2018: nil). Preference dividends are shown in note 8.

11a. Tangible assets

	Equipment	Tooling	Total
	£	£	£
Cost			
At 1 January 2019	1,210,949	7,154,902	8,365,851
Additions	77,899	33,438	111,337
At 31 December 2019	**1,288,828**	**7,188,340**	**8,477,188**
Accumulated depreciation			
At 1 January 2019	1,063,276	6,726,343	7,789,619
Charge for the financial year	52,186	191,663	243,849
At 31 December 2019	**1,115,462**	**6,918,006**	**8,033,468**
Net book amount			
At 31 December 2019	**173,386**	**270,334**	**443,720**
At 31 December 2018	147,673	428,559	576,232

Notes to the financial statements for the year ended 31 December 2019 (continued)

11b. Right of use asset

	Motor vehicles £	Total £
Cost		
At 1 January 2019	-	-
Additions	36,158	36,158
At 31 December 2019	**30,158**	**30,158**
Accumulated depreciation		
At 1 January 2019	-	-
Charge for the financial year	10,829	10,829
At 31 December 2019	**10,829**	**10,829**
Net book amount		
At 31 December 2019	**25,329**	**25,329**
At 31 December 2018	-	-

11c. Intangible assets

	Development costs £	Total £
Cost		
At 1 January 2019	2,333,562	2,333,562
Additions	825,076	825,076
At 31 December 2019	**3,158,638**	**3,158,638**
Accumulated amortisation		
At 1 January 2019	-	-
Charge for the financial year	4,093	4,093
At 31 December 2019	**4,093**	**4,093**
Net book amount		
At 31 December 2019	**3,154,545**	**3,154,545**
At 31 December 2018	2,333,562	2,333,562

12. Fixed asset investments

The Company holds 24,700 ordinary shares (10%) in SHF Holdings, a company registered in France, and 1 ordinary share (50%) in Kennedy Exports Limited, a company registered in England and Wales. Consolidated accounts have not been prepared as both are consolidated by the ultimate parent undertaking and controlling party, Elis S.A.. Kennedy Exports Limited provides the Company with factory and office accommodation whilst SHF Holdings operates a group of laundries.

	31 December 2019	31 December 2018
	£	£
Investment in Kennedy Exports Limited	**1**	1
Investment in SHF Holdings	**2,553,845**	2,553,845
	2,553,846	2,553,846

The directors believe that the carrying value of investments is supported by their underlying net assets.

13. Stocks

	31 December 2019	31 December 2018
	£	£
Finished goods	**1,007,860**	913,475
Raw materials	**2,407,797**	1,259,193
	3,415,657	2,172,668
Stock expensed during the year	**8,328,540**	7,391,946

Stocks are presented net of provision for obsolescence. The provision for obsolescence at 31 December 2019 is £21,492 (2018: £14,030).

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. Debtors

	31 December 2019 £	31 December 2018 £
Trade debtors	**1,792,638**	1,207,482
Amounts owed by group undertakings	**3,980,631**	4,137,942
VAT	**89,516**	80,516
Other debtors	**284,980**	13,523
Prepayments and accrued income	**129,580**	138,807
	6,277,345	5,578,270

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15a. Creditors amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade creditors	**1,521,207**	951,068
Amounts due to group undertakings	**2,826,010**	2,445,882
Other creditors	**62,457**	-
Corporation tax	**162,109**	220,501
Other taxes and social security	**36,889**	33,445
Preference dividends accrual	**280,000**	240,000
Accruals and deferred income	**423,992**	245,894
Lease liabilities	**24,556**	-
	5,337,220	4,136,790

Amounts due to group undertakings are interest free, unsecured and repayable on demand.

Notes to the financial statements for the year ended 31 December 2019 (continued)

15b. Creditors: amounts falling due after more than one year

	31 December 2019 £	31 December 2018 £
5% cumulative preference shares of £1 each	**667,000**	667,000

The 5% cumulative preference shares are considered as a compound financial instrument containing an equity component and a debt component. The shares carry a fixed cumulative preferential dividend at the rate of 5% per annum, payable half yearly in arrears on 31 January and 31 July in priority to any payment to the holders of any other class of shares. The debt component shown above relates to the net present value of the future dividends as at the date of issue using an appropriate discount rate. The shares have no redemption rights.

16. Called up share capital

	31 December 2019 £	31 December 2018 £
Authorised, allotted, called up and fully paid		
105,000 (2018: 105,000) Ordinary shares of £1 each	**105,000**	105,000
800,000 (2018: 800,000) 5% cumulative preference shares of £1 each	**133,000**	133,000
	238,000	238,000

The 5% cumulative preference shares are considered as a compound financial instrument containing an equity component and a debt component. The shares carry a fixed cumulative preferential dividend at the rate of 5% per annum, payable half yearly in arrears on 31 January and 31 July in priority to any payment to the holders of any other class of shares. The equity component shown above relates to the difference between the nominal value of the shares of £800,000 and the debt component shown in note 15b. The shares have no redemption rights. On a winding up the holders have priority before all other classes of shares to receive repayment of capital plus arrears of dividends. The holders have no voting rights.

17. Operating lease commitments

The total future aggregate minimum lease payments of the Company under non-cancellable operating leases are set out below:

	31 December 2019 £	31 December 2018 £
Amounts due:		
Within one year	15,243	16,644
Between two and five years	11,653	31,618

The leases mostly relate to office equipment used in the operations of the Company.

18. Pension schemes

A group personal pension plan is open to all permanent members of staff after a three month probationary period. This scheme is administered by Aviva together with the Company's auto enrolment scheme. The charge for the financial year in relation to these schemes was £54,423 (2018: £39,884). There was no outstanding accrual included in the balance sheet in relation to this scheme (2018: nil).

19. Post balance sheet events

In March 2020, a global pandemic occurred regarding the spread of the Covid-19 virus, which infected >1 million people globally and has resulted in many deaths. Due to this pandemic, the UK government took measures to safeguard the public's health to stop the spread of the virus.

At the time of signing the financial statements, the timeline for the end of this pandemic is unknown however management continue to monitor the situation and have implemented measures to ensure employee safety following government advice. Regular meetings are held to update forecasts and costs are actively reviewed to ensure the continued success of the Company following the pandemic.

Management have considered COVID-19 to be a non-adjusting post balance sheet event and are confident that any adverse impact upon the business will be minimal. In arriving at this conclusion, management have reviewed sales in 2020 to date and forecasts which show increased sales due to increased demand for the Company's washroom products.

From a Group perspective, whilst the Group has been affected globally in terms of the hospitality sector, the washroom sector continues to form an essential part of its core operations with greater emphasis during the pandemic. Inter group sales from the Company to Group remain strong and are in line with expectations and budgets.

Overall, management are confident the Company will continue growing over the next 12 months.

20. Related Party Transactions

The Company has taken advantage of the exemption under IAS 24, as a wholly owned subsidiary, not to disclose its details of transactions with other wholly owned group companies.

21. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is MAJ S.A., a company incorporated in France.

The Company's ultimate parent undertaking and controlling party is Elis S.A., a company incorporated in France.

Elis S.A. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Elis S.A. are available from 32 rue de Monceau 75008 Paris, France.