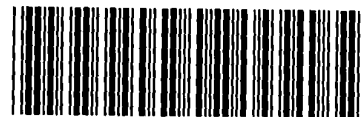


Hillfoot Steel Limited

**Annual report and financial statements
for the year ended 30 June 2021**

Registered number: 00596351

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Annual report and financial statements

Company Information

Directors

Sir D E Murray

C P James

B A D Martin

C J McDermid

P J Pittman

Auditors

Ernst & Young LLP

144 Morrison Street

Edinburgh

EH3 8EX

Registered Office

Herries Road

Sheffield

South Yorkshire

S6 1HP

Annual report and financial statements

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Strategic report

The directors present their strategic report on the affairs of the company, together with the directors' report, financial statements and auditor's report, for the year ended 30 June 2021.

Principal activities and business review

The principal activity of the company is metals stockholding, processing and distribution.

The business continued to be fully operational with adjusted working practices during the various Government imposed lockdowns as a result of the COVID 19 pandemic within the reporting period.

A significant increase in customer activity and demand was seen during the later months of 2020 and has continued to develop further through the remainder of the financial year. This, aligned to capacity constraints within the supply chain because of the increased demand, resulted in a significant increase in material prices which flowed through the market and enabled the business to generate improved margins.

This activity enabled the business to maintain healthy cash resources within its facilities during this unprecedented economic period despite challenges within the supply chain in relation to the restricted availability of credit insurance. These constraints began to free up towards the end of the financial year.

The business remains strong financially and well positioned to continue to capitalise on the economic recovery post pandemic and in the directors view exposed to minimal covid related risks.

A summary of the trading results is given on page 12, which shows turnover for the year ended 30 June 2021 of £15,049,338 (2020: £21,584,873) and an operating profit of £1,067,837 (2020: £208,350). After interest charges of £161,089 (2020: £190,065) the pre-tax company result for the year ended 30 June 2021 was a profit of £906,749 (2020: £18,285). The business benefitted from insurance receipts as part of a Business Interruption Claim made as a result of the COVID 19 pandemic amounting to £382,014 (see note 4).

The statement of financial position is given on page 13 of the financial statements, which show the company position at the 30 June 2021 with £2,027,510 of shareholder's funds (2020: £508,261).

The business strategy is to maximise net profit and this is managed through the daily monitoring of turnover and gross margin and monthly monitoring of net profit.

Financial risk management

Credit risk

The company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but mitigates such risk, through its policy of selecting only counterparties with high credit ratings and ensuring credit insurance is obtained where required.

Liquidity risk

Operations are financed by a mixture of shareholder's funds and group bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company.

Cashflow risk

The company's policy is to arrange bank loans with a floating rate of interest plus an agreed margin. In order to operate within available bank loan facilities the company controls its working capital through target inventory turns, and managing creditor and debtor days.

Strategic report

Stock replacement cost risk

The company's trading margins are subject to movements in the replacement cost of material, particularly on commodity grades. The company mitigates the impact of replacement cost losses on its trading results by utilising its long term relationships with key suppliers to buy commodity grades on short lead times and target a quick stock turn.

Foreign currency risk

In order to mitigate against the company's exposure to exchange rate movements, the company at times enters into non speculative foreign currency hedging instruments based on likely future foreign currency cash flows.

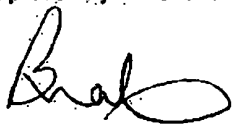
Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the company can continue in operational existence for the foreseeable future; that is for at least 12 months from the date of signing of the financial statements.

The company is funded by a combination of operating cash flows and bank loans. As disclosed in note 14 to the financial statements, loan facilities have been put in place until at least 3 July 2023, and will continue on a rolling basis thereafter, or upon receiving 6 months' notice.

The company forecasts have been prepared for a period from the date of approval of the financial statements to 31 December 2022 reflecting continued organic growth. These show that the company will have adequate resources to continue in operational existence for the foreseeable future. The Company also has the support of the ultimate parent Murray Capital Group Limited and although it is not anticipated support is required, it gives the Directors further assurance that the Company is a Going Concern. A letter of support from Murray Capital Group Limited to the Company has been signed and covers the period to 31 December 2022, the full going concern assessment period. Murray Capital Group Limited has access to sufficient liquid funds that gives the Directors of Hillfoot Steel Limited confidence that if support is needed, Murray Capital Group Limited has the wherewithal to do so. The directors therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors and signed on behalf of the Board:



B A D Martin

Director

8 November 2021

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2021.

Directors

The directors who served during the year and to the date of this report are as follows:

Sir D. E Murray – appointed 3 July 2020

C P James – appointed 3 July 2020

B A D Martin – appointed 3 July 2020

C J McDermid – appointed 3 July 2020

P J Pittman – appointed 3 July 2020

S Collard – resigned 3 July 2020

Dividends

The directors do not recommend the payment of a dividend (2020: nil).

Future developments

The Company will continue to be involved in metals stockholding, processing and distribution. The directors aim to improve the profitability going forward through daily monitoring of turnover and gross margin and monthly monitoring of net profit.

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 laws). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 (continued)

Auditor

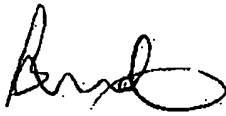
Each of the persons who is a director at the date of approval of this report confirms that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all steps that they ought to have taken 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.

A resolution to re-appoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:



B A D Martin

Director

8 November 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HILLFOOT STEEL LIMITED

Opinion

We have audited the financial statements of Hillfoot Steel Limited for the year ended 30 June 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 20, 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".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2021 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 2008.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 December 2022 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), The Companies Act 2006 and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating employment laws, health and safety regulations, Money laundering regulations, data protection and ISO regulations;
- We understood how Hillfoot Steel Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures, and corroborated responses by obtaining and reviewing supporting documentation;

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of management to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programmes and controls that the company had established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those programmes and controls. Where the risk was considered to be higher, including areas impacting key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. The procedures detailed above, the assessment of items identified by management as non-recurring and testing manual journals were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with such laws and regulations, enquiries of management as well as utilisation of data analytics tools to review potential non-compliance with laws and regulations with a focus on manual journals which have heightened risk by nature.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Julie Cavin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh, United Kingdom
8 November 2021

Profit and Loss Account
For the year ended 30 June 2021

		Year ended 30 June 2021	18 months ended 30 June 2020
	Notes	£	£
Turnover	2	15,049,338	21,584,873
Cost of sales		(12,276,147)	(18,540,652)
Gross profit		2,773,191	3,044,221
Other operating expenses	3	(2,087,367)	(2,835,871)
Other income	4	382,014	-
Operating profit		1,067,838	208,350
Interest payable and similar charges	5	(161,089)	(190,065)
Profit on ordinary activities before taxation	6	906,749	18,285
Tax on profit on ordinary activities	8	-	-
Profit for the year / period		906,749	18,285
Total comprehensive income for the year / period		906,749	18,285

The results are derived from continuing operations.

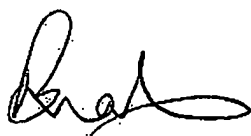
The accompanying notes form an integral part of the financial statements.

Statement of Financial Position
As at 30 June 2021

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	9	288,523	370,107
Current assets			
Stocks	10	3,870,908	4,405,779
Debtors	11	5,344,697	3,429,090
Cash at bank and in hand		199,567	549,097
		9,415,172	8,383,966
Creditors: Amounts falling due within one year	12	(4,722,815)	(4,798,126)
Net current assets		4,692,357	3,585,840
Total assets less current liabilities		4,980,880	3,955,947
Creditors: Amounts falling due after more than one year	13	(2,953,370)	(3,447,686)
Net assets		2,027,510	508,261
Capital and reserves			
Called-up share capital	15	1,112,500	500,000
Share premium account	16	34,932	34,932
Capital redemption reserve	16	10,013	10,013
Profit and loss account		870,065	(36,684)
Shareholder's funds		2,027,510	508,261

The accompanying notes form an integral part of the financial statements.

The financial statements were approved and authorised by the Board of Directors on 8 November 2021 and signed on its behalf by:



B.A.D. Martin
Director

Hillfoot Steel Limited
Company no: 00596351

Statement of Changes in Equity
For the year ended 30 June 2021

	Share capital	Share premium	Capital redemption	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2019	14,796,627	34,932	10,013	(4,381,640)	10,459,932
Profit for the period	-	-	-	18,285	18,285
Capital Reduction	(14,296,627)	-	-	14,296,627	-
Debt Waiver	-	-	-	(9,969,956)	(9,969,956)
Total comprehensive income for the period	(14,296,627)	-	-	4,344,956	(9,951,671)
At 1 July 2020	500,000	34,932	10,013	(36,684)	508,261
New Shares Issued	612,500	-	-	-	612,500
Profit for the year	-	-	-	906,749	906,749
Total comprehensive income for the year	612,500	-	-	906,749	1,519,249
At 30 June 2021	1,112,500	34,932	10,013	870,065	2,027,510

Notes to the financial statements

For the year ended 30 June 2021

1 Accounting policies

The principal accounting policies are summarised below.

Statement of compliance

Hillfoot Steel Limited is a limited liability company incorporated in England. The Registered Office is Herries Road, Sheffield, South Yorkshire, S6 1HP.

Basis of preparation

The financial statements of Hillfoot Steel Limited were authorised for issue by the Board of Directors on 8 November 2021. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company.

The company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) The requirements of Section 4 *Statement of Financial Position* paragraph 4.12 (a)(iv)
- (b) The requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17 (d)
- (c) the requirement of Section 33 *Related Party Disclosures* paragraph 33.7.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the company can continue in operational existence for the foreseeable future; that is for at least 12 months from the date of signing of the financial statements.

The company is funded by a combination of operating cash flows and bank loans. As disclosed in note 14 to the financial statements, loan facilities have been put in place until at least 3 July 2023, and will continue on a rolling basis thereafter, or upon receiving 6 months' notice.

The company forecasts have been prepared for a period from the date of approval of the financial statements to 31 December 2022, reflecting continued organic growth. These show that the company will have adequate resources to continue in operational existence for the foreseeable future. The Company also has the support of the ultimate parent Murray Capital Group Limited and although it is not anticipated support is required, it gives the Directors further assurance that the Company is a Going Concern. A letter of support from Murray Capital Group Limited to the Company has been signed and covers the Going Concern period. Murray Capital Group Limited has access to sufficient liquid funds that gives the Directors of Hillfoot Steel Limited confidence that if support is needed, Murray Capital Group Limited has the wherewithal to do so. The directors therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements

For the year ended 30 June 2021

1 Accounting policies (continued)

Deferred Tax

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Significant accounting policies

Tangible fixed assets

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Plant and machinery	10%	per annum straight line
Fixtures and fittings	10 - 20%	per annum straight line
Motor vehicles	20%	per annum reducing balance

Residual value is calculated on prices prevailing at the date of acquisition. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Stocks

Stocks, which comprise goods for resale, are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on purchase cost including transport. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

For the year ended 30 June 2021

1 Accounting policies (continued)

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The costs of providing pensions for employees are charged in the profit and loss account as they become payable.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Notes to the financial statements

For the year ended 30 June 2021

2 Turnover

Turnover, which is stated net of value added tax, represents the amount derived from the company's principal activity

	2021 £	2020 £
Sale of goods	<u>15,049,338</u>	<u>21,584,873</u>

An analysis of turnover by destination is given below.

	2021 £	2020 £
United Kingdom	14,526,729	21,017,180
Europe	492,341	303,100
Rest of the world	30,268	264,613
	<u>15,049,338</u>	<u>21,584,873</u>

3 Other operating expenses

	2021 £	2020 £
Selling and distribution costs	997,744	1,215,189
Administrative expenses	1,089,624	1,620,682
	<u>2,087,368</u>	<u>2,835,871</u>

4 Other operating income

	2021 £	2020 £
Other income	<u>382,014</u>	<u>-</u>

The other income relates to insurance receipts as part of a Business Interruption Claim made as a result of the COVID 19 pandemic.

5 Interest payable and similar charges

	2021 £	2020 £
Bank loans and overdrafts	136,909	178,743
Hire Purchase Interest	5,995	8,192
Other interest	18,185	3,130
	<u>161,089</u>	<u>190,065</u>

Notes to the financial statements

For the year ended 30 June 2021

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2021 £	2020 £
Depreciation:		
- owned	66,283	101,043
- held under finance leases	22,649	28,412
Inventory recognised as an expense in the period/year	10,351,582	15,050,708
Operating lease rentals		
- property	279,008	297,598
- plant and machinery	36,308	63,066
Foreign exchange (gain)	(7,108)	27,120
Auditor's remuneration for the audit of the company	22,000	20,434
Management charges payable	-	131,108
	<hr/>	<hr/>

7 Staff costs and directors' remuneration

The average monthly number of employees (including executive directors) was:

	2021 Number	2020 Number
Sales	10	11
Warehousing and processing	20	22
Administration	18	16
	48	49
	<hr/>	<hr/>

	2021 £	2020 £
The aggregate remuneration comprised:		
Wages and salaries	1,581,970	2,286,276
Social security costs	147,077	214,334
Other pension costs (note 17)	69,851	98,934
	1,798,898	2,599,544
	<hr/>	<hr/>

Notes to the financial statements

For the year ended 30 June 2021

7 Staff costs and directors' remuneration (continued)

In prior years, directors remuneration was borne by other Group undertakings and not recharged to the company and therefore reporting prior year costs of nil. Following the restructure in period ended 30 June 2020, the remuneration for the directors is borne directly by the company as detailed below:

Directors' emoluments for the company comprised:

	Year ended 30 June 2021	Period ended 30 June 2020
	£	£
Emoluments for qualifying services	283,476	-
Pension contributions	28,683	-
	<u>312,159</u>	<u>-</u>
Highest paid director:		
Emoluments for qualifying services	150,878	-
Pension contributions	25,458	-
	<u>176,336</u>	<u>-</u>

Two directors were members of the defined contribution pension schemes (period ended 30 June 2020: nil).

8 Tax on profit on ordinary activities

The tax charge comprises:

	2021 £	2020 £
Current tax		
UK corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of tax rate change	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax (note 10)	<u>-</u>	<u>-</u>
Total tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 30 June 2021

8 Tax on profit on ordinary activities (continued)

The difference between the total current tax and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £	2020 £
Profit on ordinary activities before taxation	906,749	18,285
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)	172,282	3,474
Effects of:		
Expenses not deductible for tax purposes	24,408	3,717
Fixed asset differences	684	1,810
Change in tax rates	(353,168)	(131,319)
Transfer pricing adjustments	-	-
Utilised tax losses	-	-
Deferred tax not recognised	232,997	122,318
Adjustments to tax charge in respect of previous periods – Deferred Tax	(77,203)	-
Total tax credit for the period/year	-	-

Future tax

At 30 June 2021, the company had tax losses of £5,470,653 (2020: £5,895,222) available to carry forward and offset against future taxable profits.

Factors that may affect future current and total tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. The impact of the rate change would be an increase in the deferred tax asset of £177,356.

Notes to the financial statements

For the year ended 30 June 2021

8 Tax on profit on ordinary activities (continued)

Deferred taxation

	2021 £	2020 £
Included in debtors (note 11)	561,626	561,626

	2021 £	2020 £
Beginning of period/year	561,626	561,626
Credit to profit and loss account	-	-
	561,626	561,626

Deferred tax is provided as follows:

	2021 £	2020 £
Fixed asset timing differences	117,503	117,503
Other short-term timing differences	3,439	3,439
Losses carried forward	440,684	440,684
	561,626	561,626

The unrecognised deferred tax asset comprises:

	2021 £	2020 £
Tax losses carried forward	477,798	676,910
	477,798	676,910

Recognition of the deferred tax asset is based on an assessment by management of the ability of the company to generate future taxable profits.

Notes to the financial statements

For the year ended 30 June 2021

9 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
Cost	£	£	£	£
At 1 July 2020	2,293,251	966,824	33,845	3,293,920
Additions	1,974	5,374		7,348
Disposals	(42,000)			(42,000)
At 30 June 2021	2,253,225	972,198	33,845	3,259,268
Depreciation				
At 1 July 2020	1,961,952	929,183	32,678	2,923,813
Charge for the year	81,295	7,408	229	88,932
Disposals	(42,000)	-	-	(42,000)
At 30 June 2021	2,001,247	936,591	32,907	2,970,745
Net book value				
At 30 June 2021	251,978	35,607	938	288,523
At 30 June 2020	331,299	37,641	1,167	370,107
Leased assets included above				
Net book value				
At 30 June 2021	174,654	-	-	174,654
At 30 June 2020	197,303	-	-	197,303

Notes to the financial statements

For the year ended 30 June 2021

10 Stocks

	2021 £	2020 £
Goods for resale	<u>3,870,908</u>	<u>4,405,779</u>

There is no material difference between the balance sheet value of stocks and their replacement costs.

11 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	4,223,049	2,637,317
Amounts owed by group undertakings	19,787	19,310
Other debtors and prepayments	540,235	210,837
Deferred tax	-	26,570
	<u>4,783,071</u>	<u>2,894,034</u>
Amounts falling due after one year:		
Deferred tax	561,626	535,056
	<u>5,344,697</u>	<u>3,429,090</u>

Notes to the financial statements

For the year ended 30 June 2021

12 Creditors: Amounts falling due within one year

	2021 £	2020 £
Obligations under finance leases and hire purchase contracts	46,549	34,076
Trade creditors	3,309,424	2,693,756
Amounts owed to group undertakings	352,309	952,309
Other taxation and social security	699,084	823,045
Corporation tax	3,119	3,119
Accruals and deferred income	312,330	291,821
	<u>4,722,815</u>	<u>4,798,126</u>

Amounts owed to group undertakings are non-interest bearing.

13 Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Obligations under finance leases and hire purchase contracts	68,436	114,985
Bank loans	2,884,934	3,332,701
	<u>2,953,370</u>	<u>3,447,686</u>

14 Loans

Loans repayable, included within creditors, are analysed as follows:

	2021 £	2020 £
Between two and five years	<u>2,884,934</u>	<u>3,332,701</u>

Bank loans relate to asset-based finance and bear an interest rate of 2.25% above base rate. The loan facilities are in place until 3 July 2023, and will continue on a rolling basis thereafter, or upon receiving six months' notice. Security for these loans consists of cross guarantees, fixed charges and floating charges over the assets and undertakings of the company, its immediate parent and fellow subsidiary undertakings.

Notes to the financial statements

For the year ended 30 June 2021

15 Called-up share capital

	2021 £	2020 £
<i>Allotted, called-up and fully paid</i>		
500,000 (2020: 500,000) ordinary A shares of £1 each (note 16)	500,000	500,000
125,000 (2020: Nil) Ordinary B shares of £0.10 each	12,500	-
	<hr/> 512,500	<hr/> 500,000
 600,000 (2020: Nil) Preference shares of £1 each	 600,000	 -
	<hr/> 1,112,500	<hr/> 500,000

Notes to the financial statements

For the year ended 30 June 2021

16 Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

16 Guarantees

The company has guaranteed bank borrowings of its intermediate parent undertaking, and certain other fellow subsidiary undertakings. The total contingency as at 30 June 2021 amounts to £3,619,448 (2020: £4,755,096). Security for the bank facilities consists of cross guarantees and fixed and floating charge over the assets of the company.

The company has also guaranteed loan notes of £1,020,867 (2020: £1,026,867) issued by Murray Metals Limited, its immediate parent undertaking. This guarantee consists of a floating charge over the assets and undertakings of the company.

17 Pension commitments

The company operates defined contribution pension schemes whose assets are held separately from those of the company in independent trustee administered funds. The pension cost charge represents contributions payable and paid by the company and amounts to £69,851 (2020: £98,934). Within accruals and deferred income is a pension balance owing of £13,441 (2020: £10,503).

18 Obligations under leases and hire purchase contracts

The company uses finance leases and hire purchase contracts to acquire plant and machinery and office equipment. Future minimum lease payments due under finance leases and hire purchase contracts are as follows:

	2021	2020
	£	£
Within one year	54,763	40,071
In two to five years	80,521	135,284
	<hr/>	<hr/>
	135,284	175,355
Less: finance charges allocated to future periods	(20,299)	(26,294)
	<hr/>	<hr/>
	114,985	149,061

Notes to the financial statements

For the year ended 30 June 2021

Future minimum lease payments under non-cancellable operating leases are as follows:

	2021 £	2020 £
Not later than one year	503,651	507,457
Later than one year and not later than five years	1,923,723	1,917,928
Greater than 5 years	1,296,075	1,767,376

19 Related party transactions

The company has taken advantage of the exemption in FRS 102 and has not disclosed transactions with fellow wholly owned subsidiaries within the Murray Metals Limited group of companies.

20 Ultimate controlling party

The immediate parent company is Murray Metals Limited and the ultimate parent company is Murray Capital Holdings Limited. The smallest group for which consolidated financial statements are drawn up is Murray Capital Holdings Limited. Copies of the consolidated financial statements of Murray Capital Holdings Limited are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

Murray Capital Holdings Limited is controlled by David D Murray and Keith A Murray.