

COMPANY REGISTRATION NUMBER: 00942427

Cutting & Wear Resistant Developments Limited

Financial Statements

30 September 2021

Cutting & Wear Resistant Developments Limited

Financial Statements

Year ended 30 September 2021

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Cutting & Wear Resistant Developments Limited

Officers and Professional Advisers

The board of directors

Mr M A Russell
Mrs G M Macdonald
Mr A Ollerenshaw
Mr S R Welburn
Mr P Burns

Registered office

7 Cowley Way
Ecclesfield
Sheffield
S35 1QP

Auditor

Hebblethwaites
Chartered accountants & statutory auditor
2 Westbrook Court
Sharrow Vale Road
Sheffield
S11 8YZ

Bankers

Barclays Bank plc

Cutting & Wear Resistant Developments Limited

Strategic Report

Year ended 30 September 2021

The principal activities of the company continued to be those concerned with hardfacing and engineering and, in particular, the manufacture and supply of specialised products and services for use within the energy industry. Fair review of the business As reported in the prior year financial statements, the company has inevitably suffered, financially and strategically, as a result of the effects of global pandemic which had a more significant impact during the first two quarters of the year ended 30 September 2021. The company responded in the consequential downturn in revenue by implementing an action plan to reduce costs where possible in relation to, in particular, employment, this to involve the difficult decision to reduce staffing levels. Given the historic reserves and the ongoing support of its financiers, and by use of the Government backed funding schemes, the company was able to successfully navigate its' way through this difficult period, with limited adverse financial impact. During quarters three and four of the year the company has enjoyed a significant recovery back towards the longer term and underlying growth programme previously put in place. This recovery is ongoing and has progressed further post the 2021 year end benefiting, somewhat perversely, from the subsequent and significant world events impacting the oil and gas sector. In relation to the year ended 30 September 2021, therefore, whilst turnover suffered a reduction of some £4.3 million or 44%, the cost of sales was proportionately reduced and, in fact, by a slightly higher reduction, to more than maintain the gross profit percentage return which, allied to overhead and administrative savings, served to minimise the resultant loss. With structural and medium term financing secured, the impact of the recorded losses has been minimised leaving the company with potential to exploit the post pandemic opportunities now appearing in the market place. Whilst research and development was inevitably scaled back during this difficult period, the underlying policy remains with ongoing investment in R & D continuing towards longer term growth if with inevitable longer term gestation periods towards commercial realisation. The company policy of continuous focus on cost control allied to positive customer service and product development has been even more important, if challenging, to maintain during the period of the pandemic but leaves the company well placed to advance rapidly going forward, in particular in the context of subsequent world events. This continued investment and forward-thinking strategy maintains the company's position at the cutting edge of technological product development and remains a policy and focus for the longer term future. Alongside this product development, the company continues to invest in its people and their skills this again promoting future development and growth. Whilst continuing these development plans and, again, with constant monitoring, overhead and administrative costs remain under tight control. The retained reserves and net worth from earlier years have provided the resilience and capacity to survive these recent challenges and to take some positives going forward. The directors are confident of future profitability and continued growth with product and skills development at the forefront of future positivity giving rise to a strong financial return on investment.

Principal risks and uncertainties Alongside the general and recently topical global issues impacting on all business entities, the directors view is that the ongoing principal risk to the business is that of the fluctuating, and often uncertain, market rates of energy pricing, itself exposed to numerous global and competing issues. Conversely, these risks can, and indeed are now, manifesting themselves in a positive manner for the company if in a highly volatile and changing world marketplace. The earlier stabilisation in market pricing, allied to macro controls, has been somewhat undermined of recent origin as a result of global issues, if to a positive effect for the company but further emphasising the volatility of global energy pricing subject to economic, political and strategic issues. The directors continue to monitor such risks on an ongoing basis and to respond in an appropriate manner.

This report was approved by the board of directors on 27 June 2022 and signed on behalf of the board by:

Mr S R Welburn

Director

Registered office:

7 Cowley Way

Ecclesfield

Sheffield

S35 1QP

Cutting & Wear Resistant Developments Limited

Directors' Report

Year ended 30 September 2021

The directors present their report and the financial statements of the company for the year ended 30 September 2021 .

Directors

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

Mr M A Russell

Mrs G M Macdonald

Mr A Ollerenshaw

Mr S R Welburn

Mr P Burns

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Future developments

As outlined in the Strategic Report, the directors remain confident of continued future growth and development, especially as the effects of the global pandemic are hopefully reduced or eliminated.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to: - select suitable accounting policies and then apply them consistently; - make judgments and accounting estimates that are reasonable and prudent; - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Auditor

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

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

This report was approved by the board of directors on 27 June 2022 and signed on behalf of the board by:

Mr S R Welburn

Director

Registered office:

7 Cowley Way

Ecclesfield

Sheffield

S35 1QP

Cutting & Wear Resistant Developments Limited

Independent Auditor's Report to the Members of Cutting & Wear Resistant Developments Limited

Year ended 30 September 2021

Opinion

We have audited the financial statements of Cutting & Wear Resistant Developments Limited (the 'company') for the year ended 30 September 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements: - give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its loss for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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 a period of at least twelve months 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or - the financial statements are not in agreement with the accounting records and returns; or - certain disclosures of directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following: - the nature of the industry and sector, control environment and business performance, including the identification of related party transactions, and matters which could potentially impact on the company's continuation as a going concern; - results of our enquiries of management and assessment of the risks of irregularities; - any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to: - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; - the matters discussed among the audit engagement team, including how and where fraud might occur in the financial statements and any potential indicators of fraud. As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Corporate Governance Code and local tax legislation. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also: - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors. - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. 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.

Andrew Throssell FCA

(Senior Statutory Auditor)

For and on behalf of

Hebblethwaites

Chartered accountants & statutory auditor

2 Westbrook Court

Sharrow Vale Road

Sheffield

S11 8YZ

27 June 2022

Cutting & Wear Resistant Developments Limited

Statement of Comprehensive Income

Year ended 30 September 2021

		2021	2020
	Note	£	£
Turnover	4	5,611,826	9,950,398
Cost of sales		(3,891,299)	(7,020,504)
		-----	-----
Gross profit		1,720,527	2,929,894
Distribution costs		—	(11,852)
Administrative expenses		(1,954,554)	(2,187,615)
Other operating income	5	99,846	227,152
		-----	-----
Operating (loss)/profit	6	(134,181)	957,579
Other interest receivable and similar income	10	—	4
Interest payable and similar expenses	11	(67,765)	(69,938)
		-----	-----
(Loss)/profit before taxation		(201,946)	887,645
Tax on (loss)/profit	12	11,036	(33,706)
		-----	-----
(Loss)/profit for the financial year and total comprehensive income		(190,910)	853,939
		-----	-----

All the activities of the company are from continuing operations.

Cutting & Wear Resistant Developments Limited

Statement of Financial Position

30 September 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	14	3,534,671	3,571,401
Investments	15	10,000	10,000
		<u>3,544,671</u>	<u>3,581,401</u>
Current assets			
Stocks	16	2,075,072	2,126,416
Debtors	17	1,816,463	1,010,109
Cash at bank and in hand		493,271	1,446,560
		<u>4,384,806</u>	<u>4,583,085</u>
Creditors: amounts falling due within one year	18	<u>1,571,282</u>	<u>1,111,173</u>
Net current assets		<u>2,813,524</u>	<u>3,471,912</u>
Total assets less current liabilities		<u>6,358,195</u>	<u>7,053,313</u>
Creditors: amounts falling due after more than one year	19	<u>1,555,430</u>	<u>1,993,932</u>
Provisions			
Taxation including deferred tax	21	—	33,706
Net assets		<u>4,802,765</u>	<u>5,025,675</u>
Capital and reserves			
Called up share capital	25	445,054	445,054
Capital redemption reserve	26	29	29
Profit and loss account	26	4,357,682	4,580,592
Shareholders funds		<u>4,802,765</u>	<u>5,025,675</u>

These financial statements were approved by the board of directors and authorised for issue on 27 June 2022 , and are signed on behalf of the board by:

Mr S R Welburn

Director

Company registration number: 00942427

Cutting & Wear Resistant Developments Limited

Statement of Changes in Equity

Year ended 30 September 2021

	Called up share capital	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£
At 1 October 2019	54	29	3,726,653	3,726,736
Profit for the year	—	—	853,939	853,939
Total comprehensive income for the year	—	—	853,939	853,939
Issue of shares	445,000	—	—	445,000
Total investments by and distributions to owners	445,000	—	—	445,000
At 30 September 2020	445,054	29	4,580,592	5,025,675
Loss for the year	—	—	(190,910)	(190,910)
Total comprehensive income for the year	—	—	(190,910)	(190,910)
Dividends paid and payable	13	—	(32,000)	(32,000)
Total investments by and distributions to owners	—	—	(32,000)	(32,000)
At 30 September 2021	445,054	29	4,357,682	4,802,765

Cutting & Wear Resistant Developments Limited

Statement of Cash Flows

Year ended 30 September 2021

	2021	2020
	£	£
Cash flows from operating activities		
(Loss)/profit for the financial year	(190,910)	853,939
<i>Adjustments for:</i>		
Depreciation of tangible assets	193,976	217,446
Government grant income	(30,522)	(15,188)
Other interest receivable and similar income	—	(4)
Interest payable and similar expenses	67,765	60,938
Tax on (loss)/profit	(11,036)	33,706
Accrued (income)/expenses	(119,652)	103,706
Preference dividends payable	—	9,000
<i>Changes in:</i>		
Stocks	51,344	336,061
Trade and other debtors	(854,921)	1,015,722
Trade and other creditors	442,689	(2,662,389)
Cash generated from operations	(451,267)	(47,063)
Interest paid	(36,256)	(39,297)
Interest received	—	4
Tax received	25,897	—
Net cash used in operating activities	(461,626)	(86,356)
Cash flows from investing activities		
Purchase of tangible assets	(157,246)	(22,776)
Proceeds from sale of tangible assets	—	540
Proceeds from disposal of subsidiary	—	5,000
Net cash used in investing activities	(157,246)	(17,236)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	—	445,000
Proceeds from borrowings	—	1,000,000
Repayment of borrowings	(271,108)	(171,428)
Government grant income	3,775	35
Repayment of hire purchase liabilities	(35,084)	(48,446)
Ordinary dividends paid	(32,000)	—
Preference dividends paid	—	(9,000)
Net cash (used in)/from financing activities	(334,417)	1,216,161
Net (decrease)/increase in cash and cash equivalents	(953,289)	1,112,569
Cash and cash equivalents at beginning of year	1,446,560	333,991
Cash and cash equivalents at end of year	493,271	1,446,560

Cutting & Wear Resistant Developments Limited

Notes to the Financial Statements

Year ended 30 September 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 7 Cowley Way, Ecclesfield, Sheffield, S35 1QP.

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

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

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

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 402 of the Companies Act 2006 on the basis that its subsidiaries are excluded from consolidation on the grounds that their inclusion is not material for the purpose of giving a true and fair view.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. In the opinion of management, there are no areas of judgement or key sources of estimation uncertainty that have a significant effect on the financial statements, other than those highlighted below.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably. Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Foreign currencies

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

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Freehold buildings	-	2% straight line
Plant & machinery	-	20% reducing balance
Motor vehicles	-	20% reducing balance
Office equipment & fixtures	-	20% reducing balance/33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Stocks

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

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset. Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model and the performance model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable. Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
United Kingdom	1,675,173	2,311,709
Western hemisphere	2,291,361	4,170,186
Eastern hemisphere	1,645,292	3,468,503
	-----	-----
	5,611,826	9,950,398
	-----	-----

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2021	2020
	£	£
United Kingdom	1,675,173	2,311,709
Western hemisphere	2,291,361	4,170,186
Eastern hemisphere	1,645,292	3,468,503
	-----	-----
	5,611,826	9,950,398
	-----	-----

5. Other operating income

	2021	2020
	£	£
Government grant income	3,775	35
Job retention scheme	69,324	211,964
Interest relief on bank loans	26,747	15,153
	-----	-----
	99,846	227,152
	-----	-----

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Depreciation of tangible assets	193,976	217,446
Impairment of trade debtors	(27,233)	24,413
Foreign exchange differences	45,646	(42,784)
	-----	-----

7. Auditor's remuneration

	2021	2020
	£	£
Fees payable for the audit of the financial statements	12,000	12,000
	-----	-----

8. Staff costs

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

	2021	2020
	No.	No.
Production staff	34	49
Administrative staff	23	23
	---	---
	57	72
	---	---

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

	2021	2020
	£	£
Wages and salaries	1,781,123	2,258,324
Social security costs	185,176	242,061
Other pension costs	139,195	156,636
	-----	-----
	2,105,494	2,657,021
	-----	-----

9. Directors' remuneration

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

	2021	2020
	£	£
Remuneration	272,808	254,702
Company contributions to defined contribution pension plans	25,402	22,432
	-----	-----
	298,210	277,134
	-----	-----

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

	2021	2020
	No.	No.
Defined contribution plans	2	2
	----	----

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

	2021	2020
	£	£
Aggregate remuneration	151,050	130,080
	-----	-----

10. Other interest receivable and similar income

	2021	2020
	£	£
Interest on cash and cash equivalents	—	4
	----	----

11. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	63,003	54,450
Interest on obligations under finance leases and hire purchase contracts	4,762	6,488
Dividends paid on shares classed as debt	—	9,000
	-----	-----
	67,765	69,938
	-----	-----

Government relief on interest payable on bank loans

12. Tax on (loss)/profit

Major components of tax (income)/expense

	2021	2020
	£	£
Current tax:		
UK current tax expense	22,670	—
Deferred tax:		
Origination and reversal of timing differences	(33,706)	33,706
	-----	-----
Tax on (loss)/profit	(11,036)	33,706
	-----	-----

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19 % (2020: 19 %).

	2021	2020
	£	£
(Loss)/profit on ordinary activities before taxation	(201,946)	887,645
	-----	-----
(Loss)/profit on ordinary activities by rate of tax	38,370	171,386
Adjustment to tax charge in respect of prior periods	22,670	—
Effect of expenses not deductible for tax purposes	(38,370)	—
Effect of capital allowances and depreciation	(33,706)	33,706
Utilisation of tax losses	—	(171,386)
	-----	-----
Tax on (loss)/profit	(11,036)	33,706
	-----	-----

13. Dividends

Equity dividends

	2021	2020
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	32,000	—
	-----	-----

Dividends on shares classed as debt

	2021	2020
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	—	9,000
	-----	-----

14. Tangible assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 October 2020	3,788,622	2,779,083	26,057	290,808	6,884,570
Additions	4,960	128,500	–	23,786	157,246
At 30 September 2021	3,793,582	2,907,583	26,057	314,594	7,041,816
Depreciation					
At 1 October 2020	667,869	2,359,855	23,900	261,545	3,313,169
Charge for the year	75,806	105,317	432	12,421	193,976
At 30 September 2021	743,675	2,465,172	24,332	273,966	3,507,145
Carrying amount					
At 30 September 2021	3,049,907	442,411	1,725	40,628	3,534,671
At 30 September 2020	3,120,753	419,228	2,157	29,263	3,571,401

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 30 September 2021	94,756
At 30 September 2020	118,445

15. Investments

	Shares in group undertakings £
Cost	
At 1 October 2020 and 30 September 2021	10,100
Impairment	
At 1 October 2020 and 30 September 2021	100
Carrying amount	
At 30 September 2021	10,000
At 30 September 2020	10,000

The company, at the start of the prior period, owned 15,000 ordinary £1 shares in Intelligent Drilling Tools Limited, which represented 75% of the issued share capital. Intelligent Drilling Tools Ltd began trading three years ago and has been loss-making since, due to the development nature of the company. The registered office of Intelligent Drilling Tools is 2 Westbrook Court, Sharrow Vale Road, Sheffield, United Kingdom, S11 8YZ.

On 21 September 2020, M A Russell acquired 5,000 ordinary £1 shares of Intelligent Drilling Tools Limited in a share restructuring arrangement, on which £445,000 of 8% preference shares were redeemed in exchange for this investment. M A Russell still owns directly or indirectly 75% of Intelligent Drilling Tools Limited and therefore has significant control.

The most recently filed accounts for Intelligent Drilling Tools Limited are for the year ended 31

December 2020 reflecting:

Aggregate capital and reserves

Intelligent Drilling Tools Limited (£77,873)

Profit and (loss) for the period

Intelligent Drilling Tools Limited (£6,025)

16. Stocks

	2021	2020
	£	£
Raw materials and consumables	593,606	868,968
Work in progress	420,174	194,057
Finished goods and goods for resale	1,061,292	1,063,391
	-----	-----
	2,075,072	2,126,416
	-----	-----

Inventories are stated after provisions for impairment of £Nil (2020: £14,387).

17. Debtors

	2021	2020
	£	£
Trade debtors	1,334,963	676,361
Amounts owed by group undertakings	212,045	111,892
Prepayments and accrued income	88,252	112,678
Corporation tax repayable	—	48,567
Other debtors	181,203	60,611
	-----	-----
	1,816,463	1,010,109
	-----	-----

18. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	409,146	271,077
Trade creditors	962,069	513,188
Accruals and deferred income	63,500	183,152
Social security and other taxes	59,938	50,203
Obligations under finance leases and hire purchase contracts	29,325	30,322
Director loan accounts	39,359	45,906
Other creditors	7,945	17,325
	-----	-----
	1,571,282	1,111,173
	-----	-----

Included within creditors due in less than one year are bank loans of £409,146 (2020: £271,077) and hire purchase liabilities of £29,325 (2020: £30,321) which are secured by the company. The hire purchase agreements are secured by way of a charge over the assets of the company to which the agreements relate.

19. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans and overdrafts	1,538,642	1,947,819
Obligations under finance leases and hire purchase contracts	16,788	46,113
	<u>1,555,430</u>	<u>1,993,932</u>

Included within bank loans and overdrafts is a total of £Nil (2020: £133,333) which is payable in more than five years.

Included within creditors due in more than one year are bank loans of £1,538,642 (2020: £1,947,819) and hire purchase liabilities of £16,788 (2020: £46,113) which are secured by the company. The hire purchase agreements are secured by way of a charge over the assets of the company to which the agreements relate. The three existing bank loans are term arrangements with interest chargeable at 2.25%, 2.1% and 2.1% respectively above base rate, with capital repayments being made on a monthly basis. The loans are secured by a legal charge over the company premises at Cowley Way, Smithy Wood, Sheffield, S35 1QP.

20. Finance leases and hire purchase contracts

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

	2021	2020
	£	£
Not later than 1 year	29,325	30,322
Later than 1 year and not later than 5 years	16,788	46,113
	<u>46,113</u>	<u>76,435</u>

21. Provisions

	Deferred tax (note 22) £
At 1 October 2020	33,706
Charge against provision	(33,706)
At 30 September 2021	<u>—</u>

22. Deferred tax

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

	2021	2020
	£	£
Included in provisions (note 21)	—	33,706

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

	2021	2020
	£	£
Accelerated capital allowances	—	33,706

23. Employee benefits**Defined contribution plans**

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £ 113,793 (2020: £ 134,204).

24. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2021	2020
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	3,775	35

25. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £ 1 each	445,054	445,054	445,054	445,054

26. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company. Profit and loss account - This reserve records retained earnings and accumulated losses.

27. Analysis of changes in net debt

	At 1 Oct 2020	Cash flows	At 30 Sep 2021
	£	£	£
Cash at bank and in hand	1,446,560	(953,289)	493,271
Debt due within one year	(347,305)	(130,525)	(477,830)
Debt due after one year	(1,993,932)	438,502	(1,555,430)
	(894,677)	(645,312)	(1,539,989)

28. Directors' advances, credits and guarantees

Included in creditors at the balance sheet date is an amount owed to Mr M A Russell of £39,359 (2020: £45,906). The loan is interest free and carries no formal terms of repayment.

29. Related party transactions

The company was under the control of Mr M A Russell throughout the year. Mr M A Russell is the Chairman and majority shareholder. Included in creditors at the balance sheet date is an amount owed to Mr M A Russell of £39,359 (2020: £45,906), full details of which can be found in note 24 of these financial statements. Peter Burns, a director, continues to provide consultancy services to the company and, during the year, charge were levied on the company, in this regard, in the sum of £19,800 (2020: £19,800). At the year end date, Intelligent Drilling Tools Limited, the subsidiary company, was indebted to Cutting & Wear Resistant Developments Limited, by way of loan, in the sum of £212,045 (2020: £111,892), in respect of which interest is not being charged and there are no formal repayment terms applicable.

Cutting & Wear Resistant Developments Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2021

29. Related party transactions *(continued)*

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £ 298,210 (2020: £ 302,771).

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