

Company Registration No. 01013256 (England and Wales)

STARKSTROM LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020



STARKSTROM LIMITED

COMPANY INFORMATION

Directors	D C Donner G A Pomroy
Company number	01013256
Registered office	Third Floor 86-90 Paul Street London EC2A 4NE
Senior statutory auditor	Zara Dunster FCA
Auditor	Town & Forest Chartered Accountants & Statutory Auditors Suite 203, Second Floor China House 401 Edgware Road London NW2 6GY

STARKSTROM LIMITED

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STARKSTROM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report for the year ended 30 June 2020.

Starkstrom Limited delivers advanced medical equipment to the operating theatre and critical care sector, and is a leading provider of fully integrated solutions, with nearly 50 years' experience in the UK Sector and Internationally.

Fair review of the business

The profit for the year amounted to £389,293 (2019: profit of £69,963)

The company has re-structured to ensure that our operations are fit for purpose. We have also withdrawn from low margin activities and amended our internal processes to ensure we no longer take on work of this nature that, in combination with other factors, harmed our financial performance in previous years. That has delivered improvements in this financial year and going forward. We instituted a review to ensure work is properly authorised and our operating costs are properly understood. This has also delivered benefits.

Whilst there is a small reduction in revenue, both an improvement in gross margin % and a reduction in overheads have improved profit.

The company has remained fully operational throughout the Covid-19 pandemic, with its staff being designated as key workers. The company has honoured its maintenance obligations with its key customers and the factory has remained open and working, albeit with modified working practices.

During the transition period before leaving the European Union, the company took prudent early steps to maintain a secure supply of materials from its European suppliers. Foreign currency was also purchased forward enabling the company to meet its purchase commitments

The Directors believe that, notwithstanding Covid-19 and Brexit uncertainties, both existing and future customers have every good reason to be more confident in Starkstrom Limited now than at any other time in the last 4 years.

STARKSTROM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows:

- **Technological development** – the risk of potential advances in technology making current products obsolete. This risk is mitigated by the Company's continued investment in new technologies and the development of its existing product portfolio.
- **Operational risk** – the risks of failing to deliver, or providing inappropriate delivery of, our products or services to customers. These risks are mitigated by development reviews prior to delivery of products and services.
- **Information security** – Serious data breaches, external attacks and employee violation of company security policy. This risk is mitigated by the continuous independent review of our information security.
- **Market risk** – geographic instability affecting business confidence, which causes uncertainty for investment decisions and product delivery. This risk is mitigated by the Company's continuous review of the markets in which it operates and by robust, advance investment appraisal.
- **Personnel risks** – losing the services of key managers and employees or delays in finding suitable replacements. This risk is mitigated by the Company's recruitment policies and incentive programmes.
- **Reliance on public sector contracts** – the risk that changes in the political environment in any of the geographies in which we operate, when such changes are clearly beyond our control, could lead, for instance, to loss of business or reduction of the associated margin. We seek to mitigate this risk through ensuring our product offerings are compelling and competitive and by increasing the geographic spread of customers.
- **Credit risk** – the Company's principle financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk, management reviews the debt ageing on an ongoing basis, together with the collection history and third-party credit references where appropriate.
- **Liquidity risk** – the Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Key performance indicators

The Starkstrom Management team believe that KPIs are an important component of measuring the Company's progress towards its goals. The Management team reflect on whether the chosen KPIs are relevant over time. KPIs are selected to help provide a deeper understanding of all aspects of the business from manufacture through customer satisfaction, and typically include as a minimum KPIs relating to gross profit, operating margins, labour costs (direct and indirect) and job and product costs.

Management accounts are reviewed monthly and cash flows and customers' credit are reviewed on a weekly basis.

On behalf of the board



D C Donner

Director

21/05/2021

STARKSTROM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activities of the Company are the distribution and installation of medical panels, electrical control gear and all related components.

Directors

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

D C Donner

G A Pomroy

Results and dividends

The results for the year are set out on page 7.

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

Auditor

Harris & Trotter LLP acted as the company's auditor during the previous year's audit, and resigned during the year. Town & Forest has been appointed as the company's new auditor.

The auditors, Town & Forest, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STARKSTROM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



D C Donner
Director

Date: 21/05/2021

STARKSTROM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STARKSTROM LIMITED

Opinion

We have audited the financial statements of Starkstrom Limited (the 'company') for the year ended 30 June 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

STARKSTROM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF STARKSTROM LIMITED

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.



Zara Dunster FCA
(Senior Statutory Auditor)

for and on behalf of

Town & Forest

Chartered Accountants & Statutory Auditors

24 May 2021

STARKSTROM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £	2019 £
Turnover	2	8,678,959	9,474,267
Cost of sales		(5,761,304)	(6,542,623)
Gross profit		<u>2,917,655</u>	<u>2,931,644</u>
Administrative expenses		(2,528,362)	(2,843,677)
Profit before taxation		<u>389,293</u>	<u>87,967</u>
Tax on profit	5	-	(18,004)
Profit for the financial year		<u><u>389,293</u></u>	<u><u>69,963</u></u>

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

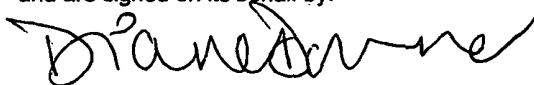
STARKSTROM LIMITED

BALANCE SHEET

AS AT 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	6		62,247		65,024
Current assets					
Stocks	7	1,302,140		1,011,894	
Debtors	8	4,282,386		5,197,093	
Cash at bank and in hand		1,279,730		362,556	
		<u>6,864,256</u>		<u>6,571,543</u>	
Creditors: amounts falling due within one year	9	<u>(3,460,651)</u>		<u>(3,590,468)</u>	
Net current assets			3,403,605		2,981,075
Total assets less current liabilities			<u>3,465,852</u>		<u>3,046,099</u>
Creditors: amounts falling due after more than one year	10		(30,460)		-
Net assets			<u><u>3,435,392</u></u>		<u><u>3,046,099</u></u>
Capital and reserves					
Called up share capital	11		35,199		35,199
Share premium account			32,556		32,556
Capital redemption reserve			26,400		26,400
Profit and loss reserves			<u>3,341,237</u>		<u>2,951,944</u>
Total equity			<u><u>3,435,392</u></u>		<u><u>3,046,099</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21/05/2021 and are signed on its behalf by:



D C Donner
Director

Company Registration No. 01013256

STARKSTROM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 July 2018	35,199	32,556	26,400	2,881,981	2,976,136
Year ended 30 June 2019:					
Profit and total comprehensive income for the year	-	-	-	69,963	69,963
Balance at 30 June 2019	35,199	32,556	26,400	2,951,944	3,046,099
Year ended 30 June 2020:					
Profit and total comprehensive income for the year	-	-	-	389,293	389,293
Balance at 30 June 2020	35,199	32,556	26,400	3,341,237	3,435,392

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

Starkstrom Limited is a private company limited by shares incorporated in England and Wales. The registered office is Third Floor, 86-90 Paul Street, London, EC2A 4NE.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Progility Health Limited. These consolidated financial statements are available from its registered office, Third Floor, 86-90 Paul Street, London, EC2A 4NE.

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors consider to be appropriate for the following reasons.

The company has net assets of £3,435,392 (2019: £3,046,099) and net current assets of £3,403,605 (2019: £2,981,075) at the balance sheet date and posted a profit for the year of £389,293 (2019: £69,963) and therefore, the financial statements have been prepared on a going concern basis.

At the time of approving the financial statements, and for at least the next 12 months, the directors have reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for payment.

Potential sources of uncertainty noted by the directors include the Covid-19 pandemic and the end of the Brexit transition period. The company provides essential services to the healthcare industry. The current health crisis has had very limited effect on its operations and the directors are confident in the future of the company.

However, at the date of this report the company's forecasts and projections consider the foreseeable changes in trading performance (including any impact of Covid-19 or Brexit). All outcomes show that the company should be able to operate within the level of its current facilities.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Analysis of turnover by geographical market is not disclosed because in the opinion of the director the majority of the turnover arises in the United Kingdom. Revenue is measured at the fair value of the right to consideration.

Revenue on fixed price contracts is recognised when the outcome of the contract can be estimated reliably and the stage of completion of the contract can be measured reliably. Contract revenue and expenses are recognised in accordance with the stage of completion of the contract. Under the stage of completion method, contract costs, revenue and the resulting profit are recognised in the period in which the work is performed. Contract costs incurred that relate to future activities are deferred and recognised as inventory. Stage of completion is based on costs incurred as a percentage of total budgeted costs. When the outcome of a contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery.

Revenue relating to retention payments is recognised at the fair value of the amount receivable. When a contract includes a service element then the contract is split into a servicing component that is recognised separately as services revenue. Where contracts have a fixed fee split, revenue is recognised in line with the contract. In cases where contracts do not clearly separate revenue streams a fair value estimate is performed to allocate an appropriate portion of the revenue to the service element.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Tangible fixed assets

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

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	3 years
Plant and equipment	4 years
Fixtures and fittings	5 years
Computers	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.9 Financial instruments

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

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

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.12 Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by class of business		
Sale of goods and rendering services	8,678,959	9,474,267
	<u>8,678,959</u>	<u>9,474,267</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	8,268,959	8,860,171
Overseas	410,000	614,096
	<u>8,678,959</u>	<u>9,474,267</u>

3 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	2,750	164
Fees payable to the company's auditor for the audit of the company's financial statements	15,500	24,000
Depreciation of owned tangible fixed assets	35,063	50,577
Profit on disposal of tangible fixed assets	(2,200)	-
Operating lease charges	17,064	37,415
	<u>17,064</u>	<u>37,415</u>

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

4 Employees

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

	2020 Number	2019 Number
Office and administration	52	53
Operations	9	14
Total	61	67

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,890,906	3,207,204

5 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	-	18,004
	2020 £	2019 £
Profit before taxation	389,293	87,967
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	73,966	16,714
Tax effect of expenses that are not deductible in determining taxable profit	5,428	195
Tax effect of utilisation of tax losses not previously recognised	(67,309)	(19,485)
Adjustments in respect of prior years	-	18,004
Group relief	(11,353)	-
Permanent capital allowances in excess of depreciation	(732)	2,576
Taxation charge for the year	-	18,004

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

6 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 July 2019	-	3,469	111,378	24,951	139,798
Additions	16,651	-	7,691	7,944	32,286
At 30 June 2020	16,651	3,469	119,069	32,895	172,084
Depreciation and impairment					
At 1 July 2019	-	693	59,304	14,777	74,774
Depreciation charged in the year	4,943	867	21,803	7,450	35,063
At 30 June 2020	4,943	1,560	81,107	22,227	109,837
Carrying amount					
At 30 June 2020	11,708	1,909	37,962	10,668	62,247
At 30 June 2019	-	2,776	52,074	10,174	65,024

7 Stocks

	2020 £	2019 £
Work in progress	423,356	204,839
Finished goods and goods for resale	878,784	807,055
	<u>1,302,140</u>	<u>1,011,894</u>

8 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,023,912	2,280,559
Amounts owed by group undertakings	1,454,236	2,052,978
Other debtors	124,859	43,483
Prepayments and accrued income	679,379	820,073
	<u>4,282,386</u>	<u>5,197,093</u>

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

9 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,013,096	1,240,617
Amounts owed to group undertakings	-	743,291
Taxation and social security	795,078	236,357
Other creditors	41,581	13,488
Accruals and deferred income	1,610,896	1,356,715
	<u>3,460,651</u>	<u>3,590,468</u>

Debentures with HSBC Bank PLC include fixed and floating charges over the undertaking and all property and assets present and future including goodwill bookdebts uncalled capital buildings fixtures fixed plant and machinery.

10 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Other creditors	<u>30,460</u>	<u>-</u>

11 Share capital

	2020 £	2019 £
Ordinary share capital Issued and fully paid 35,199 ordinary shares of £1 each	<u>35,199</u>	<u>35,199</u>

12 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	149,593	163,481
Between two and five years	131,250	273,375
	<u>280,843</u>	<u>436,856</u>

A total of £17,064 (2019: £37,415) was included as an expense relating to operating leases for motor vehicles. A total of £155,666 (2019: £223,176) was included as an expense relating to operating leases for land and buildings.

STARKSTROM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

13 Related party transactions

The company has taken advantage of the exemption available in FRS102 Section 33: Related Party Transactions, whereby it has not disclosed transactions with any wholly owned group undertakings.

14 Ultimate controlling party

Prior to 31 December 2019, the company's ultimate parent company was Progility Limited, a company incorporated in England and Wales.

The immediate parent undertakings were Starkstrom Group Limited and Progility Health Limited, companies incorporated in England and Wales.

Praxis Trustees Limited, as trustee of the DNY Trust, held the majority of the shares of Progility Limited, and was therefore considered to be the ultimate controlling party.

As a result of group re-structure on 31 December 2019, the company's ultimate parent company is DNY Investments Limited, a company registered in Guernsey.

Praxis Trustees limited, as trustee of the DNY Trust, held the majority of the shares of DNY Investments Limited, and was therefore considered to be the ultimate controlling party.

Starkstrom Group Limited holds 100% of the shares of Starkstrom Limited and therefore Starkstrom Group Limited is the immediate parent company. The parent undertaking of the largest group, which includes the company and for which group accounts are prepared, is Progility Health Limited. Copies of the group financial statements of Progility Health Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.