

Company Registration No. 01733820 (England and Wales)

ACORN INDUSTRIAL SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ACORN INDUSTRIAL SERVICES LIMITED

COMPANY INFORMATION

Directors	M Povey P D Spillings B Helgesson I Sjolín G P Stacey S Stenström
Secretary	M Povey
Company number	01733820
Registered office	Unit A Denby Way Hellaby Industrial Estate Rotherham South Yorkshire S66 8HR
Independent auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Handelsbanken 7th Floor 3 St Paul's Place 129 Norfolk Street Sheffield S1 2JE
Solicitors	Keebles LLP Commercial House Commercial Street Sheffield South Yorkshire S1 2AT

ACORN INDUSTRIAL SERVICES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 21

ACORN INDUSTRIAL SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

Acorn Industrial Services Limited are a technical distributor of Industrial Power Transmission products and services.

We supply customers in the Distribution, OEM and MRO markets with IPT products and services including Bearings, Belt and Chain Drives, Linear Systems, Couplings, Drives and IPT Consumables.

During the year the company grew turnover by 8% and maintained a healthy operating profit margin of 9%. Cash at bank at the financial year end was £2.0m (2018: £1.3m). Net Current Assets are now £14.4m (2018: £12.3m) and the net assets of the company are £14.9m (2018: £12.8m).

Acorn Industrial Services Limited is part of the Power Transmission Solutions business group within Axel Johnson International. The Power Transmission Solutions companies provide secure and reliable mechanical power transmission components and related services to European manufacturers in a wide range of industries.

As anticipated 2019 was challenging, Brexit caused much uncertainty in the market. Despite this, we continued to grow across all customer segments and consolidate our market position as a Specialised Technical Distributor.

The directors recognise that the outlook for 2020 remains challenging. Further economic uncertainty and price pressure from both customers and suppliers will all contribute to another challenging year.

We will continue to invest in all operational areas of the business including IT systems and Warehousing to keep Acorn at the forefront logistically. We will increase our offer and range of items available whilst maintaining working capital levels to deliver long term sustainable growth.

ACORN INDUSTRIAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

COVID-19

Covid-19 is a major source of uncertainty for the economy and the markets in which we operate. We have taken steps to mitigate any risks to customers, suppliers, employees and the liquidity of the business. During the year we have managed to keep all areas of the business fully operational. Where possible staff have been able to work from home. Additional safety measures have been put in place at all places of work to reduce the risk of infection. The second quarter of 2020 saw a reduction in activity of approx 15%, there have since been positive signs of recovery. We will continue to monitor the situation closely throughout 2020 and beyond.

Interest Rate Risk

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

Liquidity Risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and bank overdraft facilities.

Currency Risk

The company is exposed to currency risk as it trades in currencies other than British pounds, including Euros and US dollars. The company seeks to manage currency risk by matching sales and purchases in foreign currencies and the use of foreign currency bank accounts.

Key performance indicators

	2019	2018	Movement	% change
	£'000	£'000	£'000	
Turnover	29,402	27,348	2,054	8%
Gross profit	9,471	8,553	918	11%
Profit before tax	2,673	2,427	246	10%
On behalf of the board				

M Povey

Director

17 November 2020

ACORN INDUSTRIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company is the distribution of bearings and power transmission & linear motion products.

Directors

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

M Povey
P D Spillings
B Helgesson
I Sjölin
G P Stacey
S Stenström

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2018: none). The directors do not recommend payment of a final dividend.

Since the COVID-19 pandemic in the first quarter of 2020 there has been widespread disruption in the UK and consequently for the Company. As the pandemic began after the year end this event has been classified as a non-adjusting post balance sheet event. It is not possible at this time for the Company to estimate the full financial effect of the outbreak.

As part of the going concern assessment, the Directors have considered the Company's principal risk areas, including the potential impact of the COVID-19 pandemic, that they consider material to the assessment of going concern. The Directors have performed stress testing over the Company's forecasts. Having completed this assessment, the Directors believe that preparing the financial statements on the going concern basis is appropriate and that the Company will have adequate resources and liquidity to continue in operational existence for the foreseeable future.

The Company's financial risk management policies/ future developments are noted in the Strategic Report on pages 1 to 2.

Independent auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the company will be put at a General Meeting.

ACORN INDUSTRIAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Statement of disclosure to auditors

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 auditors are 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 auditors are aware of that information.

On behalf of the board

M Povey

Director

17 November 2020

ACORN INDUSTRIAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACORN INDUSTRIAL SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Acorn Industrial Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

ACORN INDUSTRIAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ACORN INDUSTRIAL SERVICES LIMITED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

ACORN INDUSTRIAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ACORN INDUSTRIAL SERVICES LIMITED

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Rachel Greveson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

17 November 2020

ACORN INDUSTRIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	29,401,518	27,348,296
Cost of sales		(19,930,418)	(18,795,157)
Gross profit		9,471,100	8,553,139
Distribution costs		(665,715)	(728,362)
Administrative expenses		(6,128,008)	(5,389,633)
Operating profit	4	2,677,377	2,435,144
Interest receivable and similar income	8	8,455	-
Interest payable and similar expenses	9	(13,052)	(8,229)
Profit before taxation		2,672,780	2,426,915
Tax on profit	10	(535,858)	(482,637)
Profit for the financial year		2,136,922	1,944,278
Total comprehensive income for the year		2,136,922	1,944,278

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

ACORN INDUSTRIAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11		531,322		507,701
Current assets					
Stocks	12	4,864,871		4,881,814	
Debtors	13	11,009,312		10,810,756	
Cash at bank and in hand		1,964,479		1,338,654	
		<u>17,838,662</u>		<u>17,031,224</u>	
Creditors: amounts falling due within one year	14	<u>(3,423,464)</u>		<u>(4,723,027)</u>	
Net current assets			14,415,198		12,308,197
Total assets less current liabilities			<u>14,946,520</u>		<u>12,815,898</u>
Provisions for liabilities	15		<u>(43,000)</u>		<u>(49,300)</u>
Net assets			<u><u>14,903,520</u></u>		<u><u>12,766,598</u></u>
Capital and reserves					
Called up share capital	18		100		100
Capital redemption reserve			105		105
Profit and loss account			<u>14,903,315</u>		<u>12,766,393</u>
Total equity			<u><u>14,903,520</u></u>		<u><u>12,766,598</u></u>

The financial statements on page 8 to 21 were approved by the board of directors and authorised for issue on 17 November 2020 and are signed on its behalf by:

M Povey
Director

Company Registration No. 01733820

ACORN INDUSTRIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2018	100	105	10,822,115	10,822,320
Year ended 31 December 2018:				
Profit and total comprehensive income for the year	-	-	1,944,278	1,944,278
Balance at 31 December 2018	100	105	12,766,393	12,766,598
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	2,136,922	2,136,922
Balance at 31 December 2019	100	105	14,903,315	14,903,520

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Acorn Industrial Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A, Denby Way, Hellaby Industrial Estate, Rotherham, South Yorkshire, S66 8HR.

1.1 Accounting convention

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

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 £.

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.

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;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Acorn Industrial Services Group Limited. These consolidated financial statements are available from its registered office, Unit A Denby Way, Hellaby, Rotherham, South Yorkshire, S66 8HR.

The company has taken the FRS 102 exemption to prepare a cash flow statement on the basis that it is a subsidiary undertaking where 90% or more acting rights are controlled within the group and consolidated financial statements incorporating the entity are publicly available.

1.2 Going concern

Since the COVID-19 pandemic in the first quarter of 2020 there has been widespread disruption in the UK and consequently for the Company. As the pandemic began after the year end this event has been classified as a non-adjusting post balance sheet event. It is not possible at this time for the Company to estimate the full financial effect of the outbreak.

As part of the going concern assessment, the Directors have considered the Company's principal risk areas, including the potential impact of the COVID-19 pandemic, that they consider material to the assessment of going concern. The Directors have performed stress testing over the Company's forecasts. Having completed this assessment, the Directors believe that preparing the financial statements on the going concern basis is appropriate and that the Company will have adequate resources and liquidity to continue in operational existence for the foreseeable future.

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

Revenue 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 revenue 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.

1.4 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.

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:

Land and buildings Freehold	4% straight line
Fixtures, fittings & equipment	15% reducing balance
Computer equipment	3 years straight line
Motor vehicles	25% reducing balance

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.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

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.

1.6 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.

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.

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.7 Cash at bank and in hand

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

1.8 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 statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other receivables 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.

Impairment of financial assets

Financial assets 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. The impairment loss 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.

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies, 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.

Derecognition of financial liabilities

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

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 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.

1.10 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.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.11 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.

1.12 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Stock Provision

When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

3 Turnover

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover		
Distribution of bearings and power transmission & linear motion products	29,401,518	27,348,296
	<u>29,401,518</u>	<u>27,348,296</u>
Turnover analysed by geographical market		
	2019 £	2018 £
UK	24,469,886	22,074,016
Rest of Europe	3,585,311	3,809,634
Rest of World	1,346,321	1,464,646
	<u>29,401,518</u>	<u>27,348,296</u>

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	27,782	(54,106)
Depreciation of owned tangible fixed assets	81,161	76,314
Profit on disposal of tangible fixed assets	(10,461)	-
Amortisation of intangible assets	-	34,962
Cost of stocks recognised as an expense	19,460,667	18,363,667
Operating lease charges	456,944	418,951
	<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £27,782 (2018 - £54,106).

5 Auditors' remuneration

	2019	2018
	£	£
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	29,600	25,000
	<u> </u>	<u> </u>

6 Employees

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

	2019	2018
	Number	Number
Production staff	21	24
Distribution staff	64	67
Administrative staff	37	24
	<u> </u>	<u> </u>
	122	115
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	3,549,677	3,168,587
Social security costs	358,264	283,168
Other pension costs	116,954	73,357
	<u> </u>	<u> </u>
	4,024,895	3,525,112
	<u> </u>	<u> </u>

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	325,416	225,275

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	125,000	100,000

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	8,455	-

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	10,625	8,229
Interest on corporation tax	2,427	-
	13,052	8,229

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	509,401	482,637
Adjustments in respect of prior periods	32,757	-
Total current tax	542,158	482,637
Deferred tax		
Origination and reversal of timing differences	(6,300)	-
Total tax charge	535,858	482,637

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	2,672,780	2,426,915
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	507,828	461,114
Tax effect of expenses that are not deductible in determining taxable profit	6,532	4,606
Change in unrecognised deferred tax assets	(12,004)	12,252
Adjustments in respect of prior years	32,757	-
Depreciation on assets not qualifying for tax allowances	1,416	8,309
Other permanent differences	-	(3,521)
Effect of change in deferred tax rates	(671)	(123)
Taxation charge for the year	535,858	482,637

11 Tangible assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2019	195,212	788,483	680,022	41,623	1,705,340
Additions	-	80,647	32,424	-	113,071
Disposals	-	-	-	(26,580)	(26,580)
At 31 December 2019	195,212	869,130	712,446	15,043	1,791,831
Depreciation and impairment					
At 1 January 2019	1,008	525,785	648,678	22,168	1,197,639
Depreciation charged in the year	1,008	44,197	32,242	3,714	81,161
Eliminated in respect of disposals	-	-	-	(18,291)	(18,291)
At 31 December 2019	2,016	569,982	680,920	7,591	1,260,509
Carrying amount					
At 31 December 2019	193,196	299,148	31,526	7,452	531,322
At 31 December 2018	194,204	262,698	31,344	19,455	507,701

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Stocks

	2019 £	2018 £
Finished goods and goods for resale	4,864,871	4,881,814

Stocks are stated after recording provisions totalling £602,221 in relation to old and slow moving stock (2018: £582,977).

13 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	5,927,914	5,933,262
Amounts owed by group undertakings	4,963,565	4,738,566
Prepayments and accrued income	117,833	138,928
	11,009,312	10,810,756

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

Trade debtors includes a bad debt provision of £nil (2018: £5,503).

14 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	2,760,750	4,356,611
Amounts owed to group undertakings	-	200
Corporation tax	165,401	199,687
Other taxation and social security	407,084	149,393
Other creditors	-	10,000
Accruals and deferred income	90,229	7,136
	3,423,464	4,723,027

Amounts owed to group companies are unsecured, interest free and repayable on demand.

15 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	16	43,000	49,300
		43,000	49,300

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	43,000	49,300
	<u>43,000</u>	<u>49,300</u>
Movements in the year:		2019 £
Liability at 1 January 2019		49,300
Credit to profit		(6,300)
		<u>43,000</u>
Liability at 31 December 2019		<u>43,000</u>

17 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	116,954	73,357
	<u>116,954</u>	<u>73,357</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Called up share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

19 Financial commitments, guarantees and contingent liabilities

The company has a bond with Handelsbanken in favour of HMRC totalling £25,000 (2018: £4,000).

ACORN INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 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:

	2019 £	2018 £
Within one year	383,460	425,000
Between two and five years	882,604	1,010,000
In over five years	160,889	339,000
	<u>1,426,953</u>	<u>1,774,000</u>

21 Events after the reporting date

Since the COVID-19 pandemic in the first quarter of 2020 there has been widespread disruption in the UK and consequently for the Company. As the pandemic began after the year end this event has been classified as a non-adjusting post balance sheet event. It is not possible at this time for the Company to estimate the full financial effect of the outbreak. The assessment on the ability of the Company to operate as a going concern is disclosed in the accounting policies.

22 Related party transactions

No guarantees have been given or received.

The company has taken advantage of the provision available in FRS 102 exempting disclosure of related party transactions with and between wholly-owned group companies.

During the year, the company occupied properties owned by the directors' pension scheme and paid rent on a commercial basis of £203,000 (2018: £182,000).

23 Ultimate controlling party

The company is controlled by Acorn Industrial Services Group Limited, a company registered in England and Wales.

The ultimate controlling party is Axel Johnson AB, a company registered in Sweden.

Acorn Industrial Services Group Limited prepares group financial statements, which is the smallest group to consolidate these financial statements and copies can be obtained from the Company Secretary at Unit A, Denby Way, Hellaby Industrial Estate, Rotherham, South Yorkshire, S66 8HR.

Acorn Industrial Services Group Limited is controlled by Axel Johnson AB by virtue of that company holding 100% of the share capital in Acorn Industrial Services Group Limited.

Axel Johnson AB prepares group financial statements, which is the largest group to consolidate these financial statements and copies can be obtained from the Company Secretary at Axel Johnson AB, Villagation 6, PO Box 5174, SE-102, 44, Stockholm, Sweden.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.