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Registered number: 04366658

JOHNSONS AGGREGATES AND RECYCLING LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

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JOHNSONS AGGREGATES AND RECYCLING LIMITED

COMPANY INFORMATION

Directors	S D Johnson P D Wood P W Capell J G Earl
Company secretary	H M Johnson
Registered number	04366658
Registered office	Johnsons Recycling Centre Crompton Road Off Merlin Way Ilkeston Derbyshire DE7 4BG
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

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STRATEGIC REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2020

Introduction

The principal activity of the company was recycling of aggregates and the collection and processing of incinerator bottom ash (IBA).

Business review

The year ended 29 February 2020 has shown significant improvements in the financial performance of the business, and this is testimony to the substantial investment made in the business in the past several years. Whilst the profitability of the business has grown significantly, the Board still remain confident that the business is continuing to develop and that the growth will continue.

The company strategy remains development and investment in the business and continued operational improvements to allow our service capacity to be enhanced further still. The Stanton site remains a unique processing capability and we continue with our plan of research and development to ensure that we maximise material recovery from all of our waste streams and continue to guarantee 100% diversion from landfill.

The market for IBA processing in the UK is still growing and demand is starting to outstrip supply. This presents opportunities for our company to expand geographically, and we have strategic options over additional sites to our core processing sites at Stanton and Bunny. We have now developed trading relationships with additional parties outside of the UK and these provide unique opportunities for further expansion.

We continue to invest heavily in our business and this has impacted our statutory profit. Management use an underlying basis of Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") to measure the financial performance. This measure is highlighted below:

£'000	FY18	FY19	FY20
Operating profit	623	476	1,584
Depreciation	825	1,460	1,444
Management assessed non recurring costs	471	280	345
EBITDA	**1,919**	**2,216**	**3,373**
% Increase on prior year	138%	15%	52%

Management have also made an assessment that there were costs of c£345,000 in the year that relate to items that will not be repeated, and that the underlying EBITDA is therefore c£3.4m. Management assessed non recurring costs include items such as professional fees in connection with specific projects and banking and monitoring fees relating to our funders. The commercial robustness of the business remains strong and our products remain in demand. The additional refinement of the product that the business undertakes allows some protection against downturns in demand, as the finished goods have a wider appeal than part processed material.

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Business review (continued)

Quantities of IBA processed through the plant have continued to increase during the year as new customers have come on board and the operational efficiency of the plant has improved . Further , the additional refinement in processing has allowed us to better extract a purer version of the metal end product . Depreciation and plant maintenance and plant cleaning costs have been high in the year as we aim to achieve the optimum level of throughout . A project is in place to reduce these costs during 2020.

The strong relationship with our principal investor, BGF, is an important factor in the success of the business, and the company and BGF continue to work together to assess additional opportunities in the UK IBA market. The improved capacity and profitability in the company enabled it to refinance 2 loans in April 2020. This demonstrates the continued confidence held in the business by external stakeholders.

Principal risks and uncertainties

The company has exposure to key risk areas which are monitored as follows:

Financial risk
The company's principal financial instruments comprise the operational bank accounts, overdrafts, bank loans, other loans, loan notes and net obligations under finance leases and hire purchase contracts. The company has other financial assets and liabilities such as trade debtors and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations. The company produces regular cash flow forecasts that allows it to manage this financial risk. The company has invested significantly in its new manufacturing site and incurred substantial debt in doing so. Servicing and repayment of the debt is dependent upon continued successful trading and operation of the plant. The directors keep this closely under review by monitoring a number of key operational statistics.

Interest risk exposure
The company has a mix of fixed and variable rate loans. It does not hedge the variable rate element but keeps interest rate exposure under review.

Customer credit exposure
The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods and services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified date. The risk is mitigated by credit insurance, strong on-going customer relationships and the fact that the majority of the company's client base is represented by blue chip, global companies with substantial balance sheets.

Commodity price risk
The output of the IBA operation is a range of metals which the company sells on the global market. As such the company is exposed to commodity price and exchange rate movements. The company has no control over commodity prices but in the case of exchange rate risk has hedging mechanisms in place. The company closely monitors both exchange rates and commodity prices.

Regulatory control
The company operates in the waste disposal and environmental sectors. As such it is heavily regulated. The Board takes its responsibilities seriously and closely monitors compliance, employing the help of external professionals where appropriate.

Principal risks and uncertainties (continued)

Coronavirus

Since the year end the global economy has been severely impacted by the Covid-19 pandemic with lockdown measures and other restrictions introduced in many countries , including the UK. The company has continued to operate throughout the pandemic and has adopted appropriate measures to protect employee safety . The aggregates side of the business has been impacted by the widespread closure of construction sites , although at the time of writing there are signs that the construction sector is returning to work. The metal recovery side of the business has to date been largely unaffected as incinerators have continued to operate and selling prices have remained relatively stable. The company has availed itself of the government's furloughing scheme for some operatives within the aggregates division, but currently do not foresee the need for any application under the various loan schemes introduced to soften the impact of the pandemic. The directors are mindful however that circumstances could change quickly and are keeping the overall situation under close review .

This report was approved by the board and signed on its behalf.

DocuSigned by:

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P D Wood
Director

Date: 11 June 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2020

The directors present their report and the financial statements for the year ended 29 February 2020.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in directors' reports may differ from legislation in other jurisdictions.

Results and dividends

The profit for the year, after taxation, amounted to £871,887 (2019: loss £238,099).

No dividends were paid during the year (2019: £Nil)

Directors

The directors who served during the year were:

S D Johnson
P D Wood
P W Capell
J G Earl

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Coronavirus

At the date of signing these financial statements, the directors have considered the effect on the company with the information available to it, and do not believe it will affect the company's ability to continue to trade for the foreseeable future. As with most businesses there will be short term practical difficulties which we have addressed and are managing. However, there are also positive signs from our clients to continue to operate normally, together with winning new potential commercial opportunities where we are well placed. See accounting policy 1.2 for further details.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be 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 and signed on its behalf.

DocuSigned by:

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P D Wood
Director

Date: 11 June 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHNSONS AGGREGATES AND RECYCLING LIMITED

Opinion

We have audited the financial statements of Johnsons Aggregates and Recycling Limited (the 'company') for the year ended 29 February 2020, which comprise the profit and loss account, the balance sheet, the 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 Financial Reporting Standard 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 29 February 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the going concern accounting policy in note 1.2, which refers to the global Coronavirus pandemic. Our opinion is not modified in this respect of this matter.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHNSONS AGGREGATES AND RECYCLING LIMITED (CONTINUED)

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.

Opinion 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHNSONS AGGREGATES AND RECYCLING LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Ltd.

Peter Sterling (Senior Statutory Auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 11 June 2020

JOHNSONS AGGREGATES AND RECYCLING LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 FEBRUARY 2020

	Note	2020 £	2019 £
Turnover	3	23,817,059	18,709,108
Cost of sales		(19,669,068)	(15,717,590)
Gross profit		4,147,991	2,991,518
Administrative expenses		(2,563,518)	(2,545,428)
Operating profit	4	1,584,473	446,090
Interest receivable and similar income		-	241
Interest payable and similar charges	7	(1,249,918)	(1,222,653)
Profit/(loss) before taxation on ordinary activities		334,555	(776,322)
Tax on profit/(loss) on ordinary activities	8	537,332	538,223
Profit/(loss) for the year		871,887	(238,099)
Retained earnings at the beginning of the year		669,445	907,544
Profit/(loss) for the year		871,887	(238,099)
Retained earnings at the end of the year		1,541,332	669,445

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

The notes on pages 13 to 32 form part of these financial statements.

JOHNSONS AGGREGATES AND RECYCLING LIMITED
REGISTERED NUMBER: 04366658

BALANCE SHEET
AS AT 29 FEBRUARY 2020

	Note		29 February 2020 £		28 February 2019 £
Fixed assets					
Tangible assets	9		15,361,998		16,412,651
Investments	10		100		100
			15,362,098		16,412,751
Current assets					
Stocks	11	615,775		503,100	
Debtors	12	7,468,419		5,352,248	
Cash at bank and in hand		831,576		1,657,408	
		8,915,770		7,512,756	
Creditors: amounts falling due within one year	13	(13,307,532)		(12,502,956)	
Net current liabilities			(4,391,762)		(4,990,200)
Total assets less current liabilities			10,970,336		11,422,551
Creditors: amounts falling due after more than one year	14		(6,371,587)		(7,753,499)
Provisions for liabilities					
Deferred taxation	17		(720,793)		(662,983)
Net assets			3,877,956		3,006,069
Capital and reserves					
Called up share capital	18		142		142
Share premium account	19		2,336,482		2,336,482
Profit and loss account	19		1,541,332		669,445
Shareholders' funds			3,877,956		3,006,069

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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P D Wood
Director

Date: 11 June 2020

The notes on pages 13 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2020

	29 February 2020 £	28 February 2019 £
Cash flows from operating activities		
Profit/(loss) for the financial year	871,887	(238,099)
Adjustments for:		
Depreciation of tangible assets	1,443,999	1,457,258
Profit on disposal of tangible assets	(43,778)	(24,574)
Interest charged	1,249,918	1,222,653
Interest received	-	(241)
Taxation credit	(537,332)	(538,223)
Increase in stocks	(112,675)	(168,804)
Increase in debtors	(2,173,548)	(2,251,091)
Increase in creditors	35,511	694,335
Corporation tax received	652,519	945,173
Net cash generated from operating activities	1,386,501	1,098,387
Cash flows from investing activities		
Purchase of tangible fixed assets	(171,068)	(1,708,396)
Sale of tangible fixed assets	71,700	173,002
Interest received	-	241
Net cash used in investing activities	(99,368)	(1,535,153)
Cash flows from financing activities		
Repayment of bank loans	(838,337)	(665,188)
New investor loan notes	-	972,093
Other new loans and director loan notes	-	27,907
Repayment of other loans	(58,416)	(109,259)
Repayment of finance leases	(522,429)	(623,016)
Movements on invoice discounting	(306,995)	499,050
Interest paid	(327,735)	(481,936)
Interest paid on finance leases	(59,053)	(70,892)
Net cash used in financing activities	(2,112,965)	(451,241)
Net decrease in cash and cash equivalents	(825,832)	(888,007)
Cash and cash equivalents at beginning of year	1,657,408	2,545,415
Cash and cash equivalents at the end of year	831,576	1,657,408
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	831,576	1,657,408

The notes on pages 13 to 32 form part of these financial statements.

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ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 29 FEBRUARY 2020

	At 1 March 2019	Cash flows	New finance leases	Other non-cash changes	At 29 February 2020
	£	£	£	£	£
Cash at bank and in hand	1,657,408	(825,832)	-	-	831,576
Debt due after 1 year	(7,327,752)	-	-	1,281,100	(6,046,652)
Debt due within 1 year	(5,013,212)	896,753	-	(1,281,100)	(5,397,559)
Finance leases	(915,399)	522,429	(250,200)	-	(643,170)
	(11,598,955)	593,350	(250,200)	-	(11,255,805)

The notes on pages 13 to 32 form part of these financial statements.

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1. Accounting policies

Johnsons Aggregates and Recycling Limited ("the company") is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 29 February 2020 (2019: year ended 28 February 2019).

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

In the year to 29 February 2020 the company made a profit before taxation of £334,555 (2019: loss of £776,332) At the balance sheet date the company had net current liabilities of £4,391,762 (2019: £4,990,200). Both the pre tax profit/loss and the balance sheet positions are heavily influenced by the very significant investment made by the company in its new manufacturing facility in recent years. The plant entered production during the financial year ended 28 February 2018 and the directors are satisfied with its performance to date. With the production facility now fully operational the directors have, since the year end, restructured approximately £4.4m of bank debt which was repayable on demand and is shown as falling due within one year within these financial statements, such that it now becomes due for repayment in April 2021. The directors plan to refinance this loan in early 2021 and discussions with lenders indicate that this should be readily achievable given the value of the company's freehold property, including its valuable waste processing permits and its manufacturing equipment.

Having completed the build and commissioning of the new manufacturing plant in the previous year, the company produced an EBITDA of over £3m in the year to 29 February 2020. The company has significant debt obligations in connection with the new plant and remains in regular dialogue with its funders and investors all of whom remain supportive. The main investor has representation on the company's board. Detailed profit and cashflow forecasts prepared by management show an ability to service the debt and to meet other obligations as they fall due.

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1. Accounting policies (continued)

1.2 Coronavirus and going concern

Although the impact of the Covid-19 pandemic on the company to date has been fairly modest, the directors are mindful that events could change quickly and, for example a sharp fall in commodity prices or new rules in relation to the movement of goods, could impact the company. The directors are also mindful of the need to refinance a substantial part of its debt in April 2021 as well as the fact that a final Brexit trade deal is yet to be agreed. Following discussions with investors and funders, who all remain supportive, and having reviewed financial forecasts which cover a period of at least 12 months from the date of signing these accounts, the directors are satisfied that the financial statements should be prepared on a going concern basis.

1.3 Turnover

Turnover is recognised to the extent that it is probable that economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:
- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets, under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	- 25 years straight line
Freehold property improvements	- 25 years straight line
Leasehold improvements	- 4 years straight line
Plant and machinery	- 4 - 15 years straight line
Motor vehicles	- 4 years straight line
Fixtures and fittings	- 3 years straight line

No depreciation is charged on freehold land.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the profit and loss account.

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

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

1.5 Investments

Investments in subsidiaries are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the profit and loss account and the value of the investment is reduced accordingly.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of production on a standard cost basis. Costs include all direct costs and an appropriate proportion of fixed and variable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. Any impairment loss is recognised immediately in the profit and loss account.

1. Accounting policies (continued)

1.7 Cash and cash equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty.

1.8 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.9 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.10 Leasing and hire purchase

Assets obtained under hire purchase contract leases are capitalised as tangible fixed assets. Assets acquired by hire purchase are depreciated over their useful lives. Hire purchase contract leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.11 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.12 Provisions

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1. Accounting policies (continued)

1.13 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within administrative expenses.

1.14 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.15 Current and deferred taxation

The tax charge for the year comprises current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised where material, in respect of all timing differences at the reporting date except otherwise indicated.

Deferred tax assets are only recognised to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors of the company make estimates and assumptions concerning the future. The directors are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are considered below:

Impairment of non-current assets

The directors assess the impairment of tangible and fixed assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects disposal values.

Carrying value of stocks

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

Recoverability of trade debtors

Trade and other receivables are recognised to the extent that they are judged recoverable. Directors review are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowances for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

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2. Judgements in applying accounting policies (continued)

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not. Legal advice is sought where appropriate.

Leases

The directors determine whether leases entered into are an operating lease or a finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company takes professional advice on its tax affairs and recognises liabilities for anticipated tax based on estimates of the amount likely to be due. The directors estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

3. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	13,882,505	12,115,133
Europe	9,934,554	6,593,975
	23,817,059	18,709,108

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4. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets:		
- owned by the company	1,058,964	963,928
- held under finance leases	385,035	495,878
Auditor's remuneration	22,000	21,000
Exchange differences	35,198	9,675
Operating lease rentals	711,828	505,622
Profit on sale of tangible assets	(43,778)	(24,574)

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	5,013,695	4,277,252
Social security costs	442,251	373,112
Pension costs	102,706	63,528
	5,558,652	4,713,892

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Production	128	99
Administration	20	19
	148	118

6. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	285,370	284,373
Company contributions to defined contribution pension schemes	9,256	8,800
	294,626	293,173

During the year retirement benefits were accruing to 2 directors (2019: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £144,000 (2019: £144,000).

7. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	309,675	392,425
Other loan interest payable	139,832	130,922
Finance leases and hire purchase contracts	59,053	70,892
Investor and directors loan note interest	741,358	628,414
	1,249,918	1,222,653

8. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profit/(loss) for the year	(595,142)	(652,519)
Adjustments in respect of previous periods (see below)	-	19,711
	(595,142)	(632,808)
Deferred tax		
Origination and reversal of timing differences	57,810	94,585
Taxation on profit/(loss) on ordinary activities	(537,332)	(538,223)

The adjustments in respect of previous periods relate to research and development tax credits.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	334,555	(776,322)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	63,565	(147,501)
Effects of:		
Fixed asset differences	13,418	-
Expenses not deductible for tax purposes	4,490	18,575
Adjustments to tax charge in respect of prior periods	-	19,711
Additional deduction for research and development expenditure	(600,811)	(452,411)
Adjustment to deferred tax to average rates	(6,801)	(7,493)
Deferred tax not recognised	-	30,896
Other differences leading to an increase (decrease) in the tax charge	(11,193)	-
Total tax charge for the year	(537,332)	(538,223)

Factors that may affect future tax charges

The company has estimated tax losses carried forward of £985,000 (2019: £985,000).

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9. Tangible fixed assets

	Freehold land and buildings £	Freehold improvements £	Leasehold improvements £	Plant and machinery £	Motor vehicles £
Cost					
At 1 March 2019	2,237,226	1,967,853	237,793	16,082,888	173,133
Additions	6,572	-	-	396,433	-
Disposals	-	-	-	(197,905)	(3,900)
At 29 February 2020	2,243,798	1,967,853	237,793	16,281,416	169,233
Depreciation					
At 1 March 2019	63,419	86,947	237,793	3,783,486	114,958
Charge for the year	63,690	81,114	-	1,262,080	31,613
Disposals	-	-	-	(170,420)	(3,463)
At 29 February 2020	127,109	168,061	237,793	4,875,146	143,108
Net book value					
At 29 February 2020	2,116,689	1,799,792	-	11,406,270	26,125
At 28 February 2019	2,173,807	1,880,906	-	12,299,402	58,175

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9. Tangible fixed assets (continued)

	Fixtures and fittings £	Total £
Cost		
At 1 March 2019	15,352	20,714,245
Additions	18,263	421,268
Disposals	-	(201,805)
At 29 February 2020	33,615	20,933,708
Depreciation		
At 1 March 2019	14,991	4,301,594
Charge for the year	5,502	1,443,999
Disposals	-	(173,883)
At 29 February 2020	20,493	5,571,710
Net book value		
At 29 February 2020	13,122	15,361,998
At 28 February 2019	361	16,412,651

Included within freehold land and buildings is freehold land at a cost of £597,740 (2019: £597,740) which is not depreciated.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Plant and machinery	908,072	1,492,798
Motor vehicles	26,125	57,475
	934,197	1,550,273

10. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 March 2019 and 29 February 2020	100
Net book value	
At 29 February 2020	100
At 28 February 2019	100

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Johnsons Aggregates Limited	Crompton Road, Off Merlin Way, Ilkeston, Derbyshire, England, DE7 4BG	Ordinary	100%

The company is dormant and therefore the profit or loss for the year amounts to £Nil (2019: £Nil). The aggregate of share capital of the company as at 29 February 2020 is £90 (2019: £90).

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11. Stocks

	2020 £	2019 £
Stock	615,775	503,100

Stock recognised in cost of sales during the year as an expense was £1,243,967 (2019: £1,779,836).

12. Debtors

	2020 £	2019 £
Trade debtors	2,245,866	3,074,617
Other debtors	794,571	915,631
Prepayments and accrued income	4,427,982	1,362,000
	7,468,419	5,352,248

An impairment loss of £11,319 (2019: £955) was recognised in administrative expenses against trade debtors during the year.

13. Creditors: Amounts falling due within one year

	2020 £	2019 £
Invoice discounting facility	1,249,519	1,556,514
Bank loans	4,402,335	4,459,796
Other loans	994,999	553,416
Trade creditors	2,594,163	3,002,147
Other taxation and social security	120,448	121,431
Obligations under finance lease and hire purchase contracts	318,560	489,752
Other creditors	26,916	182,469
Accruals and deferred income	3,600,592	2,137,431
	13,307,532	12,502,956

The invoice discounting facility is secured over book debts.

The bank loans are secured on the company's assets, and a personal guarantee by a director of £50,000. Interest is charged at rates between 2.81% above base rate and 5.5% above base rate. Within bank loans is a sum of £3,620,000 (2019: £4,400,000) relating to a temporary facility in connection with the building of the new manufacturing facility. In April 2020, after the year end, the temporary facility was converted into a loan facility repayable in April 2021. The balance of bank loans relates to a mortgage loan secured on the company's freehold property and carries an interest rate of 2.8% above bank base rate.

In the prior year 'Other loans' consisted of three loans. The first loan was from the Johnsons Services Limited SSAS, a pension scheme of which the beneficiaries include a director of the company and members of his family, and was repayable by monthly installments. This loan has been fully repaid in the year and hence there is £Nil outstanding at 29 February 2020 (2019: £58,416). Interest was charged at 3.08% above base rate. See note 23 for further details.

Included within 'Other loans' is £500,000 (2019: £500,000) of unsecured loan notes from an unconnected party of which £500,000 (2019: £Nil) is due within 1 year. These are redeemable in installments of up to £250,000 at the noteholders request between January 2019 and 2021, subject to certain criteria. As at the balance sheet date none had been paid. Interest is charged at 14.5%, rising each year to 20.0% in the final year. Accrued interest is included within accruals and deferred income.

The second loan of £750,000 (2019: £750,000) of which £375,000 (2019: £375,000) is due within 1 year, is from a director of the company. Interest of 4% per annum is charged on the loan and is accrued within accruals and deferred income. The loan is repayable upon certain milestones being achieved relating to the commissioning of the new manufacturing facility and the conversion of the £3,620,000 (2019: £4,400,000) temporary bank facility referred to above to a longer term asset based facility.

Obligations under finance lease and hire purchase contracts are secured over the specific assets concerned.

14. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Investor loan notes	5,556,400	5,556,400
Bank loans	-	780,876
Other loans	490,477	990,476
Net obligations under finance leases and hire purchase contracts	324,610	425,647
Other creditors	100	100
	6,371,587	7,753,499

Investor loan notes to the value of £3,125,000 (2019: £3,125,000) are unsecured fixed rate loan notes on which interest is charged at 10% per annum. The loan notes are repayable in half yearly installments of £520,833 commencing on 30 June 2021. Interest is calculated on a monthly basis and to date has all been accrued within accruals and deferred income. Payments of interest are due to commence on 30 June 2020.

The remaining investor loan notes of £2,431,400 (2019: £2,431,000) are secured over the company's assets by a fixed and floating charge. Interest is charged at 10% per annum. The loan notes are repayable in half yearly installments of £243,218 commencing on 30 June 2021. Interest is calculated on a monthly basis and to date has all been accrued within accruals and deferred income. Payments of interest are due to commence on 30 June 2020.

'Other loans' includes secured loan notes which were issued during the prior year, from two company directors of £83,840 and £31,997 respectively. The loan notes are secured over the company's assets by a fixed and floating charge. Interest is charged at 10% per annum and is payable on a quarterly basis. The loan notes are repayable in half yearly instalments of £6,300 and £5,333 respectively commencing on 30 June 2021. In addition, other loans includes the balance of the £750,000 directors loan referred to in note 13.

Details of security on bank loans and other loans are disclosed in note 13.

15. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	4,402,335	4,459,796
Other loans	994,999	553,416
	5,397,334	5,013,212
Amounts falling due 1-2 years		
Bank loans	-	331,171
Other loans	490,477	990,476
	490,477	1,321,647
Amounts falling due after more than 5 years		
Bank loans	-	449,705
Investor loan notes	5,556,400	5,556,400
	5,556,400	6,006,105
	11,444,211	12,340,964

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	318,560	489,752
Between 2-5 years	324,610	425,647
	643,170	915,399

Obligations under finance lease and hire purchase contracts are secured over the specific assets concerned.

17. Deferred taxation

	2020 £	2019 £
At start of the year	662,983	568,398
Charge for the year	57,810	94,585
At end of the year	720,793	662,983

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	1,005,157	919,860
Short term timing differences	(116,853)	(89,366)
Tax losses carried forward	(167,511)	(167,511)
	720,793	662,983

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
7,600 Ordinary shares of £0.01 each	76	76
5,198 A Ordinary shares of £0.01 each	52	52
70 B1 Ordinary shares of £0.10 each	7	7
70 B2 Ordinary shares of £0.10 each	7	7
	142	142

The ordinary shares and A Ordinary shares have voting rights, are entitled to dividend and have a right to any excess distribution in accordance with the company's articles.

The B1 Ordinary shares and B2 Ordinary shares have voting rights, are not entitled to a dividend and have a right to any excess distribution in accordance with the company's articles.

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19. Reserves

Share premium account

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

This represents accumulated profits and losses from all current and prior periods less dividends paid.

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund amounted to £102,706 (2019: £63,528).

21. Commitments under operating leases

At 29 February 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	644,101	705,940
Later than 1 year and not later than 5 years	391,280	1,019,188
	1,035,381	1,725,128

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22. Related party transactions

During the year, the company made purchases of £187,409 (2019: £163,644) from a company of which a director of Johnsons Aggregates and Recycling Limited is both a shareholder and director. At the year end £16,240 (2019: £30,151) was due to this company and is included within trade creditors.

Transactions with associated Pension Schemes

Two of the company's directors are trustees of the Johnsons Services Limited SSAS. During the year ended 28 February 2015, Johnsons Services SSAS loaned Johnsons Aggregates and Recycling Limited £500,000. The loan was secured against certain assets of the company and is repayable over 5 years, this has now been fully paid off. Interest was charged on the loan at 3.08% per annum. At 29 February 2020 the balance owing to the Johnson Services SSAS was £Nil (2019: £58,416).

Transactions with directors

Included within other loans is an amount of £165,680 (2019: £165,680) owed by the company to one of its directors. No interest is payable on this loan. This loan is only repayable upon certain bank and other loans having been settled.

Also included within other loans are amounts of £819,797 (2019: £819,797) owed by the company to two of its directors. The loans are repayable in installments and interest is charged on the loans at rates of between 4% and 10% per annum. This loan is only repayable upon certain bank and other loans having been settled.

Key management personnel remuneration

Remuneration paid to key management personnel in the year, including directors, was £512,669 (2019: £506,546).

23. Post balance sheet events

Since the year end there has been an outbreak of Coronavirus which has developed into a global pandemic . At the time of approving these financial statements the pandemic has had only limited impact upon the company's operations, and governments around Europe are beginning to ease the various lockdown measures taken, but the directors continue to monitor the position closely, mindful that any resulting economic recession, or a second wave of the virus, could impact upon the company's performance.

As noted in the Strategic Report and in note 13 to these Financial Statements, since the year end £3.6m of temporary bank facilities incurred in connection with the new manufacturing plant, and which were repayable on demand, have been converted into a formal loan facility with a repayment date of April 2021. The expectation of all parties is that the facility will be restructured or refinanced in early 2021 as part of a wider review of the company's capital structure.

24. Controlling party

The company is controlled by Mr S D Johnson who is a director of the company but subject to the terms of an investment agreement with BGF Investments LP.