

Company Registration No. 04697936 (England and Wales)

MCCALLS SPECIAL PRODUCTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

MCCALLS SPECIAL PRODUCTS LIMITED

COMPANY INFORMATION

Directors	Mr P B Hoy
Secretary	Mr P B Hoy
Company number	04697936
Registered office	Caxton Way Dinnington Sheffield S25 3QE
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD

MCCALLS SPECIAL PRODUCTS LIMITED

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MCCALLS SPECIAL PRODUCTS 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

Trading conditions improved during 2019 with traditional European markets performing well as well as India with some large infrastructure projects. Competition remains tough with margins under constant pressure and with the Covid19 2020 remains a challenge in terms of business and profitability.

Despite tough competition and margin pressures the directors consider 2019 another successful year. Sales have increased by 5.7% on the previous year. Gross profit margins increased to 20.79% from 18.38% in 2018. The company generated a pre tax profit of £366k (2018: £128k). The company has a healthy balance sheet with shareholders funds increasing from £5,104k to £5,413k.

The director has no plans for any large capital equipment in the foreseeable future but remains open to take advantage of any business opportunity which may present itself. The business strategy remains consistent with previous years.

Principal risks and uncertainties

The management of the business and execution of the company's strategy were subject to several risks.

The business is particularly vulnerable to fluctuating exchange rates and steel prices. The company has managed volatile scrap and alloy prices brought about by the decline of sterling by passing on costs wherever it can. Exports benefited from the decrease value of sterling making our conversion costs very competitive internationally.

The key business risks and uncertainties affecting the company were considered to be fluctuating steel prices, changing fuel duty, the weakness of sterling, the impact of government legislation and the state of the worldwide construction market.

On behalf of the board

Mr P B Hoy

Director

18 December 2020

MCCALLS SPECIAL PRODUCTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company continued to be the design and manufacture of high strength bars and fittings for ground engineering, tension structures and facade applications.

Directors

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

Mr P B Hoy

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £12,461. The directors do not recommend payment of a final dividend.

Auditor

BHP were appointed as auditor to the company and is deemed to be reappointed under section 487(2) of the Companies Act 2006

Statement of disclosure to auditor

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

On behalf of the board

Mr P B Hoy

Director

18 December 2020

MCCALLS SPECIAL PRODUCTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

MCCALLS SPECIAL PRODUCTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MCCALLS SPECIAL PRODUCTS LIMITED

Opinion

We have audited the financial statements of McCalls Special Products Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MCCALLS SPECIAL PRODUCTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MCCALLS SPECIAL PRODUCTS LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

John Warner (Senior Statutory Auditor)
for and on behalf of BHP LLP

18 December 2020

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

MCCALLS SPECIAL PRODUCTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	11,109,058	10,506,851
Cost of sales		(8,799,530)	(8,575,916)
Gross profit		2,309,528	1,930,935
Distribution costs		(1,073,469)	(898,790)
Administrative expenses		(836,901)	(878,634)
Operating profit	4	399,158	153,511
Interest receivable and similar income	7	6,554	13,685
Interest payable and similar expenses	8	(39,780)	(38,972)
Profit before taxation		365,932	128,224
Tax on profit	9	(44,741)	(30,432)
Profit for the financial year		321,191	97,792

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

MCCALLS SPECIAL PRODUCTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11	3,207,450		3,289,152	
Investments	12	1,000		1,000	
		<u>3,208,450</u>		<u>3,290,152</u>	
Current assets					
Stocks	15	2,510,892		3,456,867	
Debtors	16	2,633,864		3,187,831	
Investments	17	150,000		150,000	
Cash at bank and in hand		145,241		45,524	
		<u>5,439,997</u>		<u>6,840,222</u>	
Creditors: amounts falling due within one year	18	(2,163,580)		(3,283,945)	
Net current assets		<u>3,276,417</u>		<u>3,556,277</u>	
Total assets less current liabilities		<u>6,484,867</u>		<u>6,846,429</u>	
Creditors: amounts falling due after more than one year	19	(1,012,766)		(1,680,258)	
Provisions for liabilities	21	(59,000)		(61,800)	
Net assets		<u><u>5,413,101</u></u>		<u><u>5,104,371</u></u>	
Capital and reserves					
Called up share capital	24	31,147		31,147	
Revaluation reserve		156,298		156,298	
Capital redemption reserve		1,640		1,640	
Other reserves		1,333,335		1,333,335	
Profit and loss reserves		3,890,681		3,581,951	
Total equity		<u><u>5,413,101</u></u>		<u><u>5,104,371</u></u>	

The financial statements were approved and signed by the director and authorised for issue on 18 December 2020

Mr P B Hoy
Director

Company Registration No. 04697936

MCCALLS SPECIAL PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2018		31,147	156,298	1,640	1,333,335	3,519,285	5,041,705
Year ended 31 December 2018:							
Profit and total comprehensive income for the year		-	-	-	-	97,792	97,792
Dividends	10	-	-	-	-	(35,126)	(35,126)
Balance at 31 December 2018		31,147	156,298	1,640	1,333,335	3,581,951	5,104,371
Year ended 31 December 2019:							
Profit and total comprehensive income for the year		-	-	-	-	321,191	321,191
Dividends	10	-	-	-	-	(12,461)	(12,461)
Balance at 31 December 2019		31,147	156,298	1,640	1,333,335	3,890,681	5,413,101

MCCALLS SPECIAL PRODUCTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	28	663,290		1,182,566	
Interest paid		(39,780)		(38,972)	
Income taxes paid		(42,632)		(41,993)	
Net cash inflow from operating activities		580,878		1,101,601	
Investing activities					
Purchase of tangible fixed assets		-		(19,500)	
Receipts arising from loans made		45,082		(462,252)	
Interest received		6,554		13,685	
Net cash generated from/(used in) investing activities		51,636		(468,067)	
Financing activities					
Repayment of bank loans		(520,336)		(136,077)	
Dividends paid		(12,461)		(35,126)	
Net cash used in financing activities		(532,797)		(171,203)	
Net increase in cash and cash equivalents		99,717		462,331	
Cash and cash equivalents at beginning of year		45,524		(416,807)	
Cash and cash equivalents at end of year		145,241		45,524	

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

McCalls Special Products Limited is a private company limited by shares incorporated in England and Wales. The registered office is Caxton Way, Dinnington, Sheffield, S25 3QE.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the potential impact on the company of the Covid-19 pandemic and do not believe that any impact will be significant. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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:

Freehold buildings	2% straight line per annum
Plant and machinery	10 - 20% straight line per annum
Motor vehicles	25% straight line per annum

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.

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Impairment of fixed assets

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

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

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

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

1.7 Stocks

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

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.

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

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

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

Derecognition of financial assets

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

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Taxation

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

Current tax

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

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

1.12 Employee benefits

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

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Foreign exchange

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

2 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.

3 Turnover and other revenue

	2019 £	2018 £
Turnover analysed by class of business		
Sales	11,109,058	10,506,851
	<u>11,109,058</u>	<u>10,506,851</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	1,715,408	2,036,797
Europe	4,220,812	3,102,699
Rest of the World	5,172,838	5,367,355
	<u>11,109,058</u>	<u>10,506,851</u>

MCCALLS SPECIAL PRODUCTS 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)	11,839	(33,133)
Depreciation of owned tangible fixed assets	81,702	101,652
	<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 £11,839 (2018: £33,133).

5 Employees

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

	2019	2018
	Number	Number
Administration and Support	31	30
Production	39	40
	<u> </u>	<u> </u>
Total	70	70
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	2,348,535	2,243,432
Social security costs	168,873	179,266
Pension costs	107,949	107,633
	<u> </u>	<u> </u>
	2,625,357	2,530,331
	<u> </u>	<u> </u>

6 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	220,421	237,778
Company pension contributions to defined contribution schemes	50,409	51,689
	<u> </u>	<u> </u>
	270,830	289,467
	<u> </u>	<u> </u>

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Directors' remuneration

(Continued)

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

	2019 £	2018 £
Remuneration for qualifying services	220,421	237,778
Company pension contributions to defined contribution schemes	50,409	51,689
	<u>270,830</u>	<u>289,467</u>

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Other interest income	6,554	13,685
	<u>6,554</u>	<u>13,685</u>

8 Interest payable and similar expenses

	2019 £	2018 £
Other interest	39,780	38,972
	<u>39,780</u>	<u>38,972</u>

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	82,929	42,632
Adjustments in respect of prior periods	(35,388)	-
Total current tax	<u>47,541</u>	<u>42,632</u>
Deferred tax		
Origination and reversal of timing differences	(2,800)	(12,200)
	<u>(2,800)</u>	<u>(12,200)</u>
Total tax charge	<u>44,741</u>	<u>30,432</u>

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 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	365,932	128,224
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	69,527	24,363
Tax effect of expenses that are not deductible in determining taxable profit	859	2,116
Change in unrecognised deferred tax assets	(772)	(6,941)
Adjustments in respect of prior years	(35,388)	-
Permanent capital allowances in excess of depreciation	10,276	10,276
Effect of change in deferred tax rates	239	618
Taxation charge for the year	44,741	30,432

10 Dividends

	2019 £	2018 £
Final paid	12,461	35,126

11 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2019 and 31 December 2019	3,495,000	291,781	92,266	3,879,047
Depreciation and impairment				
At 1 January 2019	253,256	284,286	52,353	589,895
Depreciation charged in the year	63,312	1,166	17,224	81,702
At 31 December 2019	316,568	285,452	69,577	671,597
Carrying amount				
At 31 December 2019	3,178,432	6,329	22,689	3,207,450
At 31 December 2018	3,241,744	7,495	39,913	3,289,152

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	13	1,000	1,000

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2019 & 31 December 2019	1,000
Carrying amount	
At 31 December 2019	1,000
At 31 December 2018	1,000

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
McCalls SP Ltd	England & Wales	Ordinary Shares	100.00

14 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	150,000	150,000

15 Stocks

	2019 £	2018 £
Raw materials and consumables	1,026,902	1,822,109
Work in progress	36,250	194,622
Finished goods and goods for resale	1,447,740	1,440,136
	2,510,892	3,456,867

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	1,931,813	2,320,429
Other debtors	612,032	729,410
Prepayments and accrued income	90,019	137,992
	<u>2,633,864</u>	<u>3,187,831</u>

17 Current asset investments

	2019	2018
	£	£
Unlisted investments	<u>150,000</u>	<u>150,000</u>

18 Creditors: amounts falling due within one year

	Notes	2019	2018
		£	£
Bank loans	20	289,779	182,623
Trade creditors		769,752	1,879,153
Amounts owed to group undertakings		1,000	1,000
Corporation tax		47,541	42,632
Other taxation and social security		44,987	46,682
Other creditors		759,431	824,665
Accruals and deferred income		251,090	307,190
		<u>2,163,580</u>	<u>3,283,945</u>

Included within other creditors is an invoice discounting balance of £734,376 (2018: £801,996) which is secured on the debts concerned.

19 Creditors: amounts falling due after more than one year

	Notes	2019	2018
		£	£
Bank loans and overdrafts	20	1,012,766	1,640,258
Accruals and deferred income		-	40,000
		<u>1,012,766</u>	<u>1,680,258</u>

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Loans and overdrafts

	2019 £	2018 £
Bank loans	1,302,545	1,822,881
Payable within one year	289,779	182,623
Payable after one year	1,012,766	1,640,258

The bank borrowings are all secured by a cross guarantee between the company and McCalls SP Limited.

There is a legal charge over the property owned by the company in respect of the term loan in addition to the security described above.

Interest on bank borrowings is charged at 1.80% above Base Rate.

21 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	22	59,000	61,800

22 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	59,000	61,800
Movements in the year:		2019 £
Liability at 1 January 2019		61,800
Credit to profit or loss		(2,800)
Liability at 31 December 2019		59,000

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	107,949	107,633

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.

24 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
31,147 Ordinary shares of £1 each	31,147	31,147

25 Operating lease commitments

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	2,460	2,460
Between two and five years	7,380	9,840
	9,840	12,300

26 Events after the reporting date

At 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organisation. At that date there was no scientific evidence of human to human transmission. The subsequent spread of the virus and its identification as a new coronavirus does not impact on the financial statements at 31 December 2019.

27 Directors' transactions

Description	% Rate	Opening balance	Amounts advanced	Interest charged	Amounts repaid	Closing balance
		£	£	£	£	£
Mr P B Hoy -	2.50	333,401	686,566	6,554	(588,202)	438,319
		333,401	686,566	6,554	(588,202)	438,319

MCCALLS SPECIAL PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

28 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	321,191	97,792
Adjustments for:		
Taxation charged	44,741	30,432
Finance costs	39,780	38,972
Investment income	(6,554)	(13,685)
Depreciation and impairment of tangible fixed assets	81,702	101,652
Movements in working capital:		
Decrease/(increase) in stocks	945,975	(582,594)
Decrease in debtors	508,885	507,824
(Decrease)/increase in creditors	(1,272,430)	1,002,173
Cash generated from operations	663,290	1,182,566

29 Analysis of changes in net debt

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	45,524	99,717	145,241
Borrowings excluding overdrafts	(1,822,881)	520,336	(1,302,545)
	<u>(1,777,357)</u>	<u>620,053</u>	<u>(1,157,304)</u>

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.