

COMPANY REGISTRATION NUMBER: 11027715

CROSSCO (1427) LIMITED
FINANCIAL STATEMENTS
30 APRIL 2020



CROSSCO (1427) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2020

Contents	Pages
Officers and professional advisers	1
Strategic report	2 to 4
Directors' report	5 to 6
Independent auditor's report to the members	7 to 9
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of changes in equity	13
Statement of change in equity	14
Consolidated statement of cash flows	15
Notes to the financial statements	16 to 32

CROSSCO (1427) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

C R Stirling
A Gillard
G J Short
A S Moore
T J Rowley

Registered office

Unit A
Riverside Drive
Cleckheaton
BD19 4DH

Auditor

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Bankers

Yorkshire Bank plc
94-96 Briggate
Leeds
West Yorkshire
LS1 6NP

CROSSCO (1427) LIMITED

STRATEGIC REPORT

YEAR ENDED 30 APRIL 2020

The directors present their report for the financial year ended 30 April 2020.

Principal activity and business review

The principal activity of the group is the supply of engineering tools, including cutting tools, machine tool accessories, precision measuring tools and lubricants to a wide range of companies and individuals in the precision engineering sector. The business offers technical support and advice alongside prompt delivery to customers of a range of over 100,000 stock lines.

The group's markets were impacted in the trading year due to Brexit uncertainty, with a sustained downturn seen in the manufacturing PMI for much of the trading year, however the business did continue to grow like for like sales by 13% in the period May 2019 to February 2020 and growth in market share occurred in all product group areas.

Trading was impacted towards the end of the 2020 financial year by the Covid-19 outbreak with many manufacturing sectors closing down. This led to sales being 40% lower in the months of March and April 2020 when compared to the levels achieved in February 2020. The actions and mitigants taken in response to the impacts of Covid-19 have been covered within the sections on principal risks and uncertainties and going concern below. Encouragingly, sales have recovered strongly during the 2021 financial year and the company has continued to trade profitably throughout the pandemic.

The senior management team are focussed on continuing to grow the business and have a clear direction to expand market share and the increase the number of trading customers by:

- Development of the new website to support the omni channel approach to servicing our customers
- Improving the breadth of our product offering and the speed of delivery to our customer base
- Growing our salesforce and continuing to invest in training and employee development
- Offering an aggressive pricing strategy whilst maintaining margins
- Further investments in External Technical Sales Managers to develop sales in higher potential accounts
- Keeping costs under control and managing our working capital for strong liquidity

Conditions in the UK market are anticipated to continue to be challenging in the 2021 trading year influenced by the impact of the Covid-19 outbreak and the uncertainty around post Brexit trade talks with Europe.

Results

The loss before tax for the year in the group amounted to £0.3m (2019: £0.4m).

The key financial results for the year are summarised below.

- Revenue of £19.9m (2019: £17.9m), with revenue growth as per Business Review
- Gross Profit of £7.9m (2019: £7.2m), with margin being maintained year on year average, despite discounting being used in April 2020 to stimulate sales
- Operating profit, before goodwill amortisation, of £3.3m (2019: £3.2m), showed a slight increase, reflecting the current year investment in sales staff headcount for future growth

Key performance indicators

The Directors consider the key performance indicators for the group to be; revenue, gross profit, and operating profit, cashflow and net debt as described above.

Management use a number of operating KPIs to measure and improve business performance including;

- daily sales and gross profit,
- gross margin by product line
- stock turnover
- debtor days
- number of trading customers

CROSSCO (1427) LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 30 APRIL 2020

Future developments

Management do not believe there are any future developments to note other than those noted in the risk management and review of the business section. The business is continuing to grow.

Employee Matters

The Environment and Social Governance framework has operated throughout the year. This has driven greater employee engagement, alongside ongoing attention to staff education and training (both technical, managerial and personal development). The development of the office space to include additional training facilities, sales office space and staff relaxation areas has supported ESG goals.

Principal Risks and Uncertainties

The impact of the Covid-19 outbreak has been examined as part of reviewing the risks and uncertainties facing the group, mitigants have been detailed where appropriate.

Suppliers

The group relies upon a relatively small number of key suppliers to provide the products sold to our customers. Strong existing long-term relationships with these suppliers and a short supply chain mitigate the risks of disruption to supply to customers. Upon the Covid-19 outbreak, the group increased stock levels of key stock lines to prevent disruption and monitored ability of all suppliers to continue sending stock to the group. The group aims to increase the number of suppliers in the coming year in order to expand and strengthen the product range.

Employees

Employees that were able to work from home were enabled to do so before the Covid-19 lock down period began. This ensured there was no significant disruption to business processes and employees remained safe. Full Health and Safety reviews have occurred and the offices and warehouse have been reconfigured to support socially distant working, ensuring teams remain separate to mitigate any impact of Covid-19 infections occurring in the workforce.

Currency Fluctuations

The group purchases the majority of its products lines in Euros and therefore is exposed to transaction and translation foreign exchange risk. Exposure is partly minimised by natural hedging of matching Euro revenues with purchase costs, with the remaining exposure mitigated via hedging using forward exchange contracts. Wherever possible the company seeks to buy in Sterling, even from overseas suppliers, in order to mitigate the risk of currency fluctuations.

Working Capital

Working capital efficiency continued to be a focus, the regular weekly monitoring of cashflow was supported by extensive forecasting using a range of scenarios to test the impact of Covid-19 upon working capital levels and liquidity. All purchasing decisions (stock and overheads) were reviewed in detail by Directors and Revolving Credit Facilities were drawn down from the bank to provide headroom in cash levels.

Data Security and GDPR

Security of data, compliance with GDPR regulations and cyber security is managed through a GDPR framework which identifies where risks may arise. The framework is reviewed periodically to refresh risks.

CROSSCO (1427) LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 30 APRIL 2020

The impact of the Trade Talks between the UK and the European Union

There was uncertainty as to the impact of the outcome of the results of trade talks between the UK and the EU. Specifically, on trading outlook, currency, security of supply and application of tariffs. The company's 2 largest suppliers are based in South Korea with goods shipped from Germany and France. To mitigate future risks of tariffs & interruption of supply it is possible for the company to purchase directly from South Korea and bypass the EU and any secondary tariffs imposed on these goods.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence based on the following reviews and actions specifically examining Covid-19 impacts as well as on-going business risks.

Management completed a wide range of scenarios at the for the period to April 2021 to examine the impact on Cashflows, P&L and Balance Sheet of Covid-19, including a worst case scenario where sales were at 0-30% of previous levels. Continued liquidity was demonstrated in all scenarios using current banking facilities, government support from furlough and permitted delay in tax payments.

Management also completed a reforecast to April 2023, taking into consideration the better than expected trading performance during the period to November 2020. This showed continued good liquidity, post repayment of the delayed tax payments and the return of staff from furlough.

The impact on banking covenants was assessed and changes to covenants for the 2021 & 2022 financial years were agreed with the group's bank in May 2020 and January 2021.

Detailed weekly cashflow forecasts, forward looking 6 months which incorporated the assumptions from scenarios above are maintained and reviewed on a weekly basis.

Government support in the form of furlough grants were utilised, alongside permitted delays in payments for tax obligations, with the majority of furloughed employees returning in the start of the following financial year. Prior to the end of the 2020 financial year the company drew down fully on its revolving credit facility to provide a cash buffer. This was repaid in full in September 2020.

Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

19/4/2021

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

A S Moore
Director

Alex Moore

CROSSCO (1427) LIMITED

DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2020

The directors present their report and the financial statements of the group for the year ended 30 April 2020.

Directors

The directors who served the company during the year and to the date of this report were as follows:

C R Stirling
A Gillard
G J Short
A S Moore
T J Rowley

Dividends

The directors do not recommend the payment of a dividend.

Charitable and political donations

During the year the group made charitable donations totaling £2,533 (2019: £583), supporting local charities. No political donations were made in the year.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 30 to the financial statements.

Directors' responsibilities statement for the financial statements

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

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

Auditor

The directors confirm that:

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

CROSSCO (1427) LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2020

19/4/2021

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

Alex Moore

A S Moore
Director

CROSSCO (1427) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROSSCO (1427) LIMITED

YEAR ENDED 30 APRIL 2020

Opinion

We have audited the financial statements of Crossco (1427) (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2020 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of changes in equity, the Company statement of changes in equity, Consolidated 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 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 group's and of the parent company's affairs as at 30 April 2020 and of the group's loss 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events

CROSSCO (1427) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROSSCO (1427) LIMITED *(continued)*

YEAR ENDED 30 APRIL 2020

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business mode, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 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 has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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.

CROSSCO (1427) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROSSCO (1427) LIMITED *(continued)*

YEAR ENDED 30 APRIL 2020

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, 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, 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.



Mark Overfield Bsc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
19/4/2021

CROSSCO (1427) LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****YEAR ENDED 30 APRIL 2020**

	Note	2020 £	2019 £
Turnover	4	19,942,170	17,874,597
Cost of sales		<u>(12,048,767)</u>	<u>(10,697,814)</u>
Gross profit		7,893,403	7,176,783
Administrative expenses		<u>(6,469,712)</u>	<u>(5,774,805)</u>
Other operating income	5	<u>49,403</u>	–
Operating profit	6	1,473,094	1,401,978
Other interest receivable and similar income	10	1,378	1,574
Interest payable and similar expenses	11	<u>(1,769,552)</u>	<u>(1,799,912)</u>
Loss before taxation		(295,080)	(396,360)
Tax on loss	12	<u>(565,855)</u>	<u>(465,790)</u>
Loss for the financial year and total comprehensive income		<u>(860,935)</u>	<u>(862,150)</u>

All the activities of the group are from continuing operations. The Group has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 16 to 32 form part of these financial statements.

CROSSCO (1427) LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****30 APRIL 2020**

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	14,510,937	16,215,653
Tangible assets	14	565,803	396,261
		<u>15,076,740</u>	<u>16,611,914</u>
Current assets			
Stocks	16	2,966,308	3,676,607
Debtors	17	3,455,622	4,067,022
Cash at bank and in hand		2,554,269	2,153,509
		<u>8,976,199</u>	<u>9,897,138</u>
Creditors: amounts falling due within one year	18	<u>(5,008,485)</u>	<u>(6,117,338)</u>
Net current assets		<u>3,967,714</u>	<u>3,779,800</u>
Total assets less current liabilities		<u>19,044,454</u>	<u>20,391,714</u>
Creditors: amounts falling due after more than one year	19	<u>(20,259,839)</u>	<u>(20,809,464)</u>
Provisions			
Taxation including deferred tax	21	<u>(60,200)</u>	<u>(21,900)</u>
Net liabilities		<u>(1,275,585)</u>	<u>(439,650)</u>
Capital and reserves			
Called up share capital	25	21,080	21,040
Share premium account	26	426,420	401,460
Profit and loss account	26	<u>(1,723,085)</u>	<u>(862,150)</u>
Shareholders' deficit		<u>(1,275,585)</u>	<u>(439,650)</u>

19/4/2021

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



A S Moore
Director

Company registration number: 11027715

The notes on pages 16 to 32 form part of these financial statements.

CROSSCO (1427) LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****30 APRIL 2020**

	Note	2020 £	2019 £
Fixed assets			
Investments	15	1	1
Current assets			
Debtors	17	500,401	430,222
Cash at bank and in hand		31,250	31,250
		<u>531,651</u>	<u>461,472</u>
Creditors: amounts falling due within one year	18	<u>-</u>	<u>(7,405)</u>
Net current assets		<u>531,651</u>	<u>454,067</u>
Total assets less current liabilities		<u>531,652</u>	<u>454,068</u>
Capital and reserves			
Called up share capital	25	21,080	21,040
Share premium account	26	426,420	401,460
Profit and loss account	26	84,152	31,568
Shareholders funds		<u>531,652</u>	<u>454,068</u>

The profit for the financial year of the parent company was £45,179 (2019: £31,568).

19/4/2021

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

Alex Moore

A S Moore
Director

Company registration number: 11027715

The notes on pages 16 to 32 form part of these financial statements

CROSSCO (1427) LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****YEAR ENDED 30 APRIL 2020**

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 May 2018	1	–	–	1
Loss for the year			(862,150)	(862,150)
Total comprehensive income for the year	–	–	(862,150)	(862,150)
Issue of shares	21,039	401,460	–	422,499
Total investments by and distributions to owners	21,039	401,460	–	422,499
At 30 April 2019	21,040	401,460	(862,150)	(439,650)
Loss for the year			(860,935)	(860,935)
Total comprehensive income for the year	–	–	(860,935)	(860,935)
Issue of shares	40	24,960	–	25,000
Total investments by and distributions to owners	40	24,960	–	25,000
At 30 April 2020	21,080	426,420	(1,723,085)	(1,275,585)

The notes on pages 16 to 32 form part of these financial statements.

CROSSCO (1427) LIMITED**STATEMENT OF CHANGES IN EQUITY****YEAR ENDED 30 APRIL 2020**

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 May 2018	1	–	–	1
Profit for the year			31,568	31,568
Total comprehensive income for the year	–	–	31,568	31,568
Issue of shares	21,039	401,460	–	422,499
Total investments by and distributions to owners	21,039	401,460	–	422,499
At 30 April 2019	21,040	401,460	38,973	461,473
Profit for the year			45,179	45,179
Total comprehensive income for the year	–	–	45,179	45,179
Issue of shares	40	24,960	–	25,000
Total investments by and distributions to owners	40	24,960	–	25,000
At 30 April 2020	21,080	426,420	84,152	531,652

The notes on pages 16 to 32 form part of these financial statements.

CROSSCO (1427) LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS****YEAR ENDED 30 APRIL 2020**

	2020	2019
	£	£
Cash flows from operating activities		
Loss for the financial year	(860,935)	(862,150)
<i>Adjustments for:</i>		
Depreciation of tangible assets	183,589	180,148
Amortisation of intangible assets	1,810,354	1,723,900
Government grant income	(49,403)	–
Other interest receivable and similar income	(1,378)	(1,574)
Interest payable and similar expenses	1,769,552	1,799,912
Gains on disposal of tangible assets	(8,072)	(20,918)
Tax on loss	565,855	465,790
<i>Changes in:</i>		
Stocks	710,299	(1,503,746)
Trade and other debtors	611,400	(845,492)
Trade and other creditors	(1,037,788)	1,869,294
Cash generated from operations	3,693,473	2,805,164
Interest paid	(2,655,006)	(1,799,912)
Interest received	1,378	1,574
Tax paid	(651,225)	(528,602)
Net cash from operating activities	<u>388,620</u>	<u>478,224</u>
Cash flows from investing activities		
Purchase of tangible assets	(370,567)	(117,772)
Proceeds from sale of tangible assets	25,508	68,257
Purchase of intangible assets	(105,638)	(38,624)
Acquisition of subsidiaries	–	(21,729,121)
Net cash used in investing activities	<u>(450,697)</u>	<u>(21,817,260)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	25,000	422,500
Proceeds from borrowings	1,000,000	30,873,501
Repayments of borrowings	(600,000)	(7,800,000)
Government grant income	49,403	–
Repayment of hire purchase contracts	(11,566)	(3,456)
Net cash from financing activities	<u>462,837</u>	<u>23,492,545</u>
Net increase in cash and cash equivalents	400,760	2,153,509
Cash and cash equivalents at beginning of year	2,153,509	–
Cash and cash equivalents at end of year	<u>2,554,269</u>	<u>2,153,509</u>

The notes on pages 16 to 32 form part of these financial statements.

CROSSCO (1427) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit A, Riverside Drive, Cleckheaton, BD19 4DH.

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis. The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence based on the following reviews and actions specifically examining Covid-19 impacts as well as on-going business risks.

Management completed a wide range of scenarios at the for the period to April 2021 to examine the impact on Cashflows, P&L and Balance Sheet of Covid-19, including a worst case scenario where sales were at 0-30% of previous levels. Continued liquidity was demonstrated in all scenarios using current banking facilities, government support from furlough and permitted delay in tax payments.

Management also completed a reforecast to April 2023, taking into consideration the better than expected trading performance during the period to November 2020. This showed continued good liquidity, post repayment of the delayed tax payments and the return of staff from furlough.

The impact on banking covenants was assessed and changes to covenants for the 2021 & 2022 financial years were agreed with the group's bank in May 2020 and January 2021.

Detailed weekly cashflow forecasts, forward looking 6 months which incorporated the assumptions from scenarios above are maintained and reviewed on a weekly basis.

Government support in the form of furlough grants were utilised, alongside permitted delays in payments for tax obligations, with the majority of furloughed employees returning in the start of the following financial year. Prior to the end of the 2020 financial year the company drew down fully on its revolving credit facility to provide a cash buffer. This was repaid in full in September 2020.

Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Crossco (1427) Limited and all of its subsidiary undertakings with consistent policies applied across the group.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

CROSSCO (1427) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

The major areas of estimation and judgements within the financial statements are as follows:

(a) Impairment of goodwill (note 13)

The Group reviews, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based from two calculations.

(1) requires the estimation of future cash flows and the choice of a discount rate to calculate the present value of the cash flows. (2) obtain fair value at the date of measurement.

The higher of the two outputs is used for the assessment. Actual outcomes may vary.

(b) Useful lives of property, plant and equipment (note 14)

Property, plant and equipment is depreciated over its useful life. Useful lives are based on management's estimates of the periods within which the assets will generate revenue and which are periodically reviewed for continued appropriateness. Changes to judgements can result in significant variations in the carrying value and amounts charged to the Statement of Comprehensive Income.

(c) Deferred tax assets/liabilities (note 22)

In determining the deferred tax asset or liability to be recognised, management carefully review the recoverability of these assets on a prudent basis and reach a judgement based on the best available information.

(d) Other

Other judgements made by management are stock provisions and the bad debt provision. The judgements are considered to be of low risk due to the basis in which they are calculated, therefore no further discussion has been included.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

CROSSCO (1427) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have not arisen but not reversed by the balance sheet date.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Forward Currency Contracts

Forward currency contracts classified as 'other financial instruments' in FRS 102 will therefore be accounted for in accordance with Section 12 Other Financial Instruments Issues. The derivative contract is recognised at fair value on initial recognition, and again at the balance sheet date. Any changes in fair value are recognised in profit or loss.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

CROSSCO (1427) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	- 10% straight line
Website	- 33% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

The costs in relation to the bank arrangement fees are capitalised over the life of the loan.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Leasehold property improvements	- 10% straight line
Fixtures and fittings	- 20% straight line
Motor vehicles	- 25% straight line
Equipment	- 33% straight line

Investments

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

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stock

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

CROSSCO (1427) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

CROSSCO (1427) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship (see hedge accounting policy).

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

4. Turnover

Turnover arises from:

	2020 £	2019 £
Sale of goods	<u>19,942,170</u>	<u>17,874,597</u>

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****4. Turnover** *(continued)*

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

	2020 £	2019 £
United Kingdom	19,290,662	17,358,514
Overseas	651,508	516,083
	<u>19,942,170</u>	<u>17,874,597</u>

5. Other operating income

	2020 £	2019 £
Coronavirus Job Retention Scheme	49,403	–

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020 £	2019 £
Amortisation of intangible assets	1,810,354	1,764,614
Depreciation of tangible assets	183,589	180,148
Gains on disposal of tangible assets	(8,072)	(20,918)
Impairment of trade debtors	146,827	55,027
Foreign exchange differences	(45,642)	162,445

The group's trading subsidiary enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 30 April 2020, the outstanding forward contracts all matured within 3 months of the year end. The company committed to buy €0.65m (2019: €2.1m) in exchange for sterling. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for EUR:

GBP. Currency gains or losses which arise on revaluation of FX contracts are held in the statement of financial position within trade creditors. At 30 April 2020, the amount recognised for FX contracts was £nil (2019: £79,755)

7. Auditor's remuneration

	2020 £	2019 £
Fees payable for the audit of the financial statements	27,000	27,500
Fees payable to the company's auditor for other services: Taxation advisory services	10,200	11,000

8. Staff costs

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

	2020 No.	2019 No.
Number of staff	84	66

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****8. Staff costs** *(continued)*

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

	2020	2019
	£	£
Wages and salaries	2,798,758	2,209,029
Social security costs	258,431	286,209
Other pension costs	58,132	65,512
	<u>3,115,321</u>	<u>2,560,750</u>

9. Directors' remuneration

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

	2020	2019
	£	£
Remuneration	434,450	475,052
Company contributions to defined contribution pension plans	13,950	20,350
	<u>448,400</u>	<u>495,402</u>

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

	2020	2019
	£	£
Aggregate remuneration	135,100	212,380
Company contributions to defined contribution pension plans	–	7,788
	<u>135,100</u>	<u>220,168</u>

10. Other interest receivable and similar income

	2020	2019
	£	£
Interest on loans and receivables	<u>1,378</u>	<u>1,574</u>

11. Interest payable and similar expenses

	2020	2019
	£	£
Interest on banks loans and overdrafts	295,865	263,331
Interest on obligations under finance leases and hire purchase contracts	633	903
Other interest payable and similar charges	1,473,054	1,535,678
	<u>1,769,552</u>	<u>1,799,912</u>

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****12. Tax on loss****Major components of tax expense**

	2020	2019
	£	£
Current tax:		
UK current tax expense	504,648	464,723
Adjustments in respect of prior periods	22,907	467
Total current tax	<u>527,555</u>	<u>465,190</u>
Deferred tax:		
Origination and reversal of timing differences	38,300	600
Tax on loss	<u>565,855</u>	<u>465,790</u>

Reconciliation of tax expense

The tax assessed on the loss on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019
	£	£
Loss on ordinary activities before taxation	(295,080)	(396,360)
Loss on ordinary activities by rate of tax	(56,065)	(72,603)
Adjustment to tax charge in respect of prior periods	22,907	467
Effect of expenses not deductible for tax purposes	592,059	534,375
Effect of capital allowances and depreciation	(31,429)	2,264
Effect of changes in deferred tax closing position	38,300	600
Effect of other timing differences	83	687
Tax on profit	<u>565,855</u>	<u>465,790</u>

13. Intangible assets

Group	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 May 2019	17,885,706	53,847	17,939,553
Additions	–	105,638	105,638
At 30 April 2020	<u>17,885,706</u>	<u>159,485</u>	<u>18,045,191</u>
Amortisation			
At 1 May 2019	1,714,047	9,853	1,723,900
Charge for the year	1,796,851	13,503	1,810,354
At 30 April 2020	<u>3,510,898</u>	<u>23,356</u>	<u>3,534,254</u>
Carrying amount			
At 30 April 2020	<u>14,374,808</u>	<u>136,129</u>	<u>14,510,937</u>
At 30 April 2019	16,171,659	43,994	16,215,653

The company has no intangible assets.

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****14. Tangible assets**

Group	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 May 2019	168,110	185,588	74,553	87,334	515,585
Additions	284,244	15,973	–	70,350	370,567
Disposals	–	(27,224)	(24,165)	(11,824)	(63,213)
Transfers	44,588	(66,476)	–	21,889	–
At 30 April 2020	496,942	107,860	50,388	167,749	822,939
Depreciation					
At 1 May 2019	27,569	71,651	2,125	17,979	119,324
Charge for the year	33,879	67,867	36,236	45,607	183,589
Disposals	–	(17,106)	(23,450)	(5,221)	(45,777)
Transfers	28,734	(46,020)	–	17,285	–
At 30 April 2020	90,182	76,393	14,911	75,650	257,136
Carrying amount					
At 30 April 2020	406,760	31,467	35,477	92,099	565,803
At 30 April 2019	140,541	113,937	72,428	69,355	396,261

The company has no tangible assets.

The transfer between classes of fixed assets relate to assets incorrectly classified in previous years.

15. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 May 2019 and 30 April 2020	1
Impairment	
At 1 May 2019 and 30 April 2020	–
Carrying amount	
At 1 May 2019 and 30 April 2020	1
At 30 April 2019	1

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Registered office	Class of share	Percentage of shares held
Crossco (1432) Limited	Unit A Riverside Drive Cleckheaton BD19 4DH	Ordinary	100

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 30 APRIL 2020****15. Investments (continued)**

	Registered office	Class of share	Percentage of shares held
Cutwel Limited	Unit A Riverside Drive BD19 4DH	Ordinary	100

16. Stocks

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Finished goods for resale	<u>2,966,308</u>	<u>3,676,607</u>	<u>-</u>	<u>-</u>

The carrying value of stocks are stated net of impairment losses totalling £228,912 (2019: £178,519).

17. Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	3,181,945	3,740,867	-	-
Amounts owed by group undertakings	-	-	500,401	430,222
Prepayments and accrued income	140,966	250,533	-	-
Directors loan account	46,320	50,193	-	-
Corporation tax repayable	11,154	13,729	-	-
Other debtors	75,237	11,700	-	-
	<u>3,455,622</u>	<u>4,067,022</u>	<u>500,401</u>	<u>430,222</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Director's loan account	<u>46,049</u>	<u>39,553</u>	<u>-</u>	<u>-</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Other loans	489,123	1,428,501	-	-
Bank loans and overdrafts	1,603,549	600,000	-	-
Trade creditors	1,760,951	2,719,878	-	-
Accruals and deferred income	98,875	205,476	-	-
Corporation tax	185,747	309,417	-	7,405
Social security and other taxes	832,057	822,316	-	-
Obligations under finance leases and hire purchase contracts	-	11,566	-	-
Other creditors	38,183	20,184	-	-
	<u>5,008,485</u>	<u>6,117,338</u>	<u>-</u>	<u>7,405</u>

The other loans are secured by a charge on present and future property, revenue, rights and interests of every kind.

The bank loans are secured by a fixed and floating charge over the company's property, assets and rights.

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****19. Creditors: amounts falling due after more than one year**

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Other loans	14,445,000	14,445,000	-	-
Bank loans and overdrafts	5,814,839	6,364,464	-	-
	<u>20,259,839</u>	<u>20,809,464</u>	<u>-</u>	<u>-</u>

The other loans are secured by a charge on present and future property, revenue, rights and interests of every kind.

The bank loans are secured by a fixed and floating charge over the company's property, assets and rights.

In respect of liabilities payable or repayable by installments, the following is included within Creditors: amounts falling within due within one year; £600,000 (2019: £600,000), amounts falling due within two to five years; £1,314,839 (2019: £1,864,464) and amounts due more than five years; £4,500,000 (2019: £4,500,000). In respect of liabilities repayable otherwise than by installments £14,445,000 (2019: £14,445,000) is due after more than five years from the reporting date.

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****Loan notes**

During the financial year 2019, to finance the acquisition of 100% of the share capital of Cutwel Limited, the group created and issued £14,400,000 A2 fixed rate (10%) redeemable loan notes, with a further £7,500,000 A1 fixed rate (10%) redeemable loan notes. In addition, £45,000 A2 fixed rate (10%) redeemable loan notes were issued to key management. Two classes of loan notes were issued during 2019.

These loan notes are treated in the financial statements at amortised cost.

The balance on each class of loan note at 30 April 2020 was:

Series A1 Loan notes - £nil (2019: £nil)

Series A2 Loan notes - £14,934,123 (2019: £15,873,500)

Series A1 and A2 loan notes were secured by a fixed and floating charge over the company's property, assets and rights.

These loan notes are treated in the financial statements at amortised cost.

At 30 April 2020, of the loan notes in issue, £14,400,000 (2019: £14,400,000) are held by NorthEdge Capital Fund II, LP and NorthEdge Capital Coinvestment II, LP, a majority shareholder of the company. Interest of £480,321 (2019: £1,424,210) has been accrued on the loan notes in the year and rolled-up in line with the loan note agreement. The interest charged in the year amounted to £1,468,542 (2019: £1,424,210). The additional £45,000 (2019: £45,000) is held by key management. Interest of £4,512 (2019: £4,290) has been accrued on the loan notes in the year and rolled up in line with the loan note agreement.

The A2 loan notes will be repaid in full by 18 May 2025.

Interest is included within creditors and disclosed as falling due within one year.

Series A2 loan notes are listed on the International Stock Exchange.

Bank loans

The Group operates with two bank loan facilities.

Facility A bears interest at a floating rate based on LIBOR plus 3.06%. The facility is repayable in installments, commencing on 31 October 2018 and will be repaid in full by 18 May 2024. The balance in respect of Facility A at 30 April 2020 was £2,100,000 (2019: £2,700,000).

Facility B bears interest at a floating rate based on LIBOR plus 3.56%. The facility is repayable in full on 18 May 2025. The balance in respect of Facility B at 30 April 2020 was £4,500,000 (2019: £4,500,000).

Included within creditors: Amounts falling due after more than one year is £5,814,839 (2019: £6,364,464).

Interest on the bank loan of £292,316 (2019: £263,331) was paid during the year in quarterly installments. The bank loans are secured by a fixed and floating charge over the group's property, assets and rights.

20. Finance leases and hire purchase contracts

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Not later than 1 year	<u>–</u>	<u>11,566</u>	<u>–</u>	<u>–</u>

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****21. Provisions**

Group	Deferred tax (note 22) £
At 1 May 2019	21,900
Additions	38,300
At 30 April 2020	60,200

The company does not have any provisions.

22. Deferred tax

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Included in provisions (note 21)	<u>60,200</u>	<u>21,900</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accelerated capital allowances	61,300	22,700	-	-
Other timing differences	(1,100)	(800)	-	-
	<u>60,200</u>	<u>21,900</u>	<u>-</u>	<u>-</u>

23. Employee benefits**Defined contribution plans**

The amount recognised in profit or loss as an expense in relation to defined contribution pension plans was £58,132 (2019: £65,512).

24. Government grants

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Recognised in other operating income:				
Government grants recognised directly in income	<u>49,403</u>	<u>-</u>	<u>-</u>	<u>-</u>

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****25. Called up share capital****Issued, called up and fully paid**

	2020		2019	
	No.	£	No.	£
Ordinary A1 shares shares of £0.001 each	16,000,000	16,000	16,000,000	16,000
Ordinary A2 shares shares of £0.0001 each	50,000	5	50,000	5
Ordinary B1 shares shares of £0.004 each	1,200,000	4,800	1,200,000	4,800
Ordinary B2 shares shares of £0.0001 each	2,750,000	275	2,350,000	235
	<u>20,000,000</u>	<u>21,080</u>	<u>19,600,000</u>	<u>21,040</u>

During the 2020 financial year the company issued 400,000 B2 ordinary shares with a nominal value of 0.01p. The amount paid per share was 6.25p.

Subject to article 6 of the company's articles of association, holders of the A1 and A2 ordinary shares are entitled to one vote, the B1 holders 4 votes and the B2 holders no votes. Holders of all classes of ordinary shares rank Parri Passu in the entitlement to dividends. None of the shares are redeemable.

In the case of winding up, the holders of the shares would firstly be entitled to an amount equal to the nominal value of the shareholding. Any remaining surplus would be divided pro rata as between such holders to their respective holdings of the relevant class as if such shares constituted a single class.

26. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****27. Business combinations****Acquisition of Cutwel Limited**

On 18 May 2018 the group acquired 100% of the issued share capital of Cutwel Limited via Crossco (1432) Limited.

The fair value of consideration paid in relation to the acquisition of Cutwel Limited is as follows:

	£
Cash	22,400,000
Transaction costs	1,912,630
	<u>24,312,630</u>
Less: cash and cash equivalents acquired	(2,583,509)
Net cash outflow on acquisition	<u>21,729,121</u>

The fair value of amounts recognised at the acquisition date in relation to Cutwel Limited are as follows:

	Fair value £
Tangible assets acquired	505,976
Intangible assets acquired	15,223
Stocks acquired	2,172,861
Trade debtors acquired	3,131,432
Other debtors acquired	76,369
Cash and cash equivalents acquired	2,583,509
Trade creditors acquired	(1,309,854)
Other creditors acquired	(1,024,842)
	<u>6,150,674</u>
Goodwill on acquisition	18,161,956
	<u>24,312,630</u>

The group has elected to separately identify intangible assets only where they arise from contractual or other legal rights and are separable. Accordingly, non-contractual customer relationships, and the benefits of the assembled workforce are included within goodwill

The consolidated statement of comprehensive income for the period ended 30 April 2019 includes turnover of £17,874,597 and profit of £2,959,497 in respect of Cutwel Limited since the acquisition date.

28. Analysis of changes in net debt

	At 1 May 2019 £	Cash flows £	At 30 Apr 2020 £
Cash at bank and in hand	2,153,509	400,760	2,554,269
Debt due within one year	(2,040,067)	(52,605)	(2,092,672)
Debt due after one year	(20,809,464)	549,625	(20,259,839)
	<u>(20,696,022)</u>	<u>897,780</u>	<u>(19,798,242)</u>

CROSSCO (1427) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 30 APRIL 2020****29. Operating leases**

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Not later than 1 year	83,018	86,400	-	-
Later than 1 year and not later than 5 years	311,015	308,333	-	-
Later than 5 years	640,667	716,667	-	-
	<u>1,034,700</u>	<u>1,111,400</u>	<u>-</u>	<u>-</u>

The costs incurred in the year in relation to operating leases were £82,268.

30. Events after the end of the reporting period

Since the year end, trading and sales of the group has been impacted by the Covid-19 global pandemic. As manufacturing sectors have opened up, the group has seen revenues return to previous levels. The group interacts with its customers principally through a tele-sales team and via a newly developed website it has been able to maintain customer service and contact levels.

31. Directors' advances, credits and guarantees

Included in debtors (note 17) is a loan to a director, A Gillard in the amount of £46,320 (2019: £50,193). This qualifying loan is unsecured. Post amendment to the loan agreement in July 2020, the loan is repayable in full by 31 December 2025. Interest is being charged at a rate of 3% per annum.

32. Related party transactions**Company**

Amounts paid to NorthEdge Capital LLP in relation to monitoring fees for the financial year were £75,000 (2019: £71,541). This is inclusive of board member remuneration/fees.

33. Controlling party

The controlling party is NorthEdge Capital Fund II, LP.

34. Financial Instruments

Financial assets held at amortised cost comprise of trade debtors, amounts owned by group undertakings, directors loan accounts, other debtors and cash at bank and in hand. Financial assets at 30 April 2020 amounted to £5,857,771 (2019: £5,956,269) for the Group and £531,651 (2019: £461,472) for the company

Financial liabilities held at amortised cost comprise of other loans, bank loans and overdrafts, trade creditors, accruals and deferred income, obligations under finance leases and hire purchase contracts and other creditors.

Financial liabilities held at amortised cost at 30 April 2020 amounted to £24,250,520 (2019: £25,715,314) for the Group.

Financial liabilities held at fair value through profit and loss relate to forward exchange contracts and amounted to nil at 30 April 2020 (2019: £79,755)