

ALPHA SOLWAY LIMITED

FINANCIAL STATEMENTS

31 MAY 2020

ALPHA SOLWAY LIMITED

COMPANY INFORMATION

Directors	Mr H Agustsson Mr A K Morris Miss S Gracie Mr S Binnie Mr N G Moore (resigned 3 June 2020)
Company secretary	Mr E S Peterson
Registered number	SC177721
Registered office	c/o Tait & Peterson Bank of Scotland Buildings Hangcliff Lane Lerwick Shetland ZE1 0EB
Trading Address	Alpha Solway Limited 1 Queensberry St Annan DG12 5BL
Independent auditors	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors Fairview House Victoria Place Carlisle Cumbria CA1 1HP
Bankers	HSBC UK Bank Plc 4 Hardman Square Spinningfields Manchester M3 3EB Royal Bank of Scotland 1 Spinningfields Square Manchester M3 3AP
Solicitors	Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES

ALPHA SOLWAY LIMITED

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ALPHA SOLWAY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2020

Introduction

The directors present their report and financial statements for the year ended 31 May 2020.

The directors would like to take this opportunity to thank all the employees of the group for their hard work during the year in helping to achieve a strong result.

Business review

The Company's key financial and other performance indicators during the year were as follows:

	2020	2019	Change
	£	£	%
Gross profit	6,962,686	3,300,097	111.0
Profit before tax	3,064,281	564,142	443.2
Net current assets	5,915,507	3,300,479	79.2
Current Ratio	1.8	5.05	(64.4)

The performance of all our product ranges remain positive, all growing strongly in a challenging market. We remain confident this will continue to be the case in the next financial year and beyond, especially given the increased demand for PPE in the face of the Covid-19 pandemic.

Our headcount stands at 72 at the year-end compared to 68 in 2019.

The Coronavirus pandemic which struck in year created a significant demand for facemasks and PPE products. This demand has resulted in a significant increase in sales volume and gross profit from March 2020 onwards.

The company's 'current ratio' has reduced to 1.8. Deferred income and accruals have increased by £4,276k to £4,564k due to significant payments received in advance for PPE. Furthermore there has been a £804k increase in trade creditors due to larger orders being placed with suppliers to meet the increased demand. This combined has driven down the current ratio and the working capital available due to the significant increase in production at the year end.

Principal risks and uncertainties

The impact of Brexit presents a concern to the business particularly with volatility in sterling, but this will affect all our competitors as well and we seem to be outperforming the market. Management is confident we are well prepared for these problems and we are confident of fulfilling our plans and objectives. We have contingency plans in place to guard against logistical or stock issues due to leaving the EU. We are having no issues with financing and there are no significant financial instruments or legislative risks the company is aware of.

Future developments

Our aim is to continue with the same policies that have delivered growth in the past few years while improving our operating margins. We will continue to develop new products and production methods to enable and accelerate this further. The strong performance of our clothing business has led us to begin reviewing our current production facilities in Annan and consider how we expand it.

ALPHA SOLWAY LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020**

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

Mr H Agustsson
Director

Date: 17 September 2020

ALPHA SOLWAY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020

The directors present their report and the financial statements for the year ended 31 May 2020.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

Principal activity

The principal activity of the company during the year has been the manufacture and supply of safety clothing and equipment.

Results and dividends

The profit for the year, after taxation, amounted to £3,064,281 (2019 - £448,826).

Directors

The directors who served during the year were:

Mr H Agustsson
Mr A K Morris
Miss S Gracie
Mr S Binnie
Mr N G Moore (resigned 3 June 2020)

ALPHA SOLWAY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020**

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Mr H Agustsson
Director

Date: 17 September 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ALPHA SOLWAY LIMITED

Opinion

We have audited the financial statements of Alpha Solway Limited (the 'Company') for the year ended 31 May 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 Section 1A '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 May 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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 Auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ALPHA SOLWAY LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ALPHA SOLWAY LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's member 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 member those matters we are required to state to them in an Auditors' 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 member for our audit work, for this report, or for the opinions we have formed.

Joanna Gray (Senior Statutory Auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants

Statutory Auditors

Carlisle

23 September 2020

ALPHA SOLWAY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2020

		2020 £	2019 £
Turnover	3	16,928,030	9,993,963
Cost of sales		(9,965,344)	(6,693,866)
Gross profit		6,962,686	3,300,097
Distribution costs		(1,339,409)	(1,238,262)
Administrative expenses		(1,839,806)	(1,496,858)
Operating profit	4	3,783,471	564,977
Interest payable		(3,959)	(835)
Profit before tax		3,779,512	564,142
Tax on profit		(715,231)	(115,316)
Profit for the year		3,064,281	448,826

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 11 to 26 form part of these financial statements.

ALPHA SOLWAY LIMITED
REGISTERED NUMBER: SC177721

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	9	1,347,054	595,947
Investments	10	369,525	415,715
		<u>1,716,579</u>	<u>1,011,662</u>
Current assets			
Stocks	11	2,056,418	1,920,085
Debtors: amounts falling due within one year	12	6,725,178	1,874,757
Cash at bank and in hand	13	4,381,543	319,456
		<u>13,163,139</u>	<u>4,114,298</u>
Creditors: amounts falling due within one year	14	(7,247,631)	(813,819)
Net current assets		<u>5,915,508</u>	<u>3,300,479</u>
Total assets less current liabilities		<u>7,632,087</u>	<u>4,312,141</u>
Creditors: amounts falling due after more than one year	15	(150,403)	(19,628)
Provisions for liabilities			
Deferred tax	16	(159,357)	(34,467)
		<u>(159,357)</u>	<u>(34,467)</u>
Net assets		<u><u>7,322,327</u></u>	<u><u>4,258,046</u></u>
Capital and reserves			
Called up share capital	18	800	800
Share premium account	17	544,500	544,500
Capital redemption reserve	17	4,700	4,700
Profit and loss account	17	6,772,327	3,708,046
		<u><u>7,322,327</u></u>	<u><u>4,258,046</u></u>

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

Mr H Agustsson
Director

Date: 17 September 2020

The notes on pages 11 to 26 form part of these financial statements.

ALPHA SOLWAY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 June 2018	800	544,500	4,700	3,259,220	3,809,220
Comprehensive income for the year					
Profit for the year	-	-	-	448,826	448,826
At 1 June 2019	800	544,500	4,700	3,708,046	4,258,046
Comprehensive income for the year					
Profit for the year	-	-	-	3,064,281	3,064,281
At 31 May 2020	800	544,500	4,700	6,772,327	7,322,327

The notes on pages 11 to 26 form part of these financial statements.

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

General information

Alpha Solway Limited is a private company limited by shares, incorporated in Scotland, with company number SC177721, its registered office is Bank of Scotland Buildings, Hangcliff Lane, Lerwick, Shetland, ZE1 0EB. The company manufactures and distributes protective clothing and masks to the commercial and medical sectors.

Statement of Compliance

The individual financial statements of Alpha Solway Limited have been prepared in accordance with Financial Reporting Standard 102 and Companies Act 2006.

1. Accounting policies

1.1 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Globus (Shetland) Limited as at 31 May 2020 and these financial statements may be obtained from beta.companieshouse.gov.uk/company/SC149147.

1.2 Basis of preparation of financial statements

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.3 Going concern

The directors have reviewed the financial position of the company and forecasted performance in light of the Covid-19 pandemic. The increased need for personal protective equipment (PPE) has significantly increased the sales volume and margin on these products produced by the company.

At the balance sheet date, the company had net current assets of £5,916k, net assets of £7,322k after a profit before tax of £3,780k. Current assets increased significantly in the period by £3,064k after an increase in revenue of £6,934k to £16,928k.

Cash balances at the year end were £4,382k and the working capital cycle has reduced as many customers now pay in advance to secure product.

The demand for PPE is anticipated to remain in the near future. The directors have considered the financial and operational factors which drive company performance, and deem the going concern basis appropriate for the company for at least 12 months from the signing of the accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

1. Accounting policies (continued)

1.5 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Freehold property	-	2%	straight line
Plant and machinery	-	10%	straight line
Motor vehicles	-	25%	straight line
Fixtures and fittings	-	25%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

1. Accounting policies (continued)

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

1.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

1.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

1. Accounting policies (continued)

1.15 Finance costs

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

1.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

1.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

1.18 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

1. Accounting policies (continued)

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

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

The preparation of these financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Establishing useful economic lives for depreciation purposes of property, plant and equipment

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total fixed assets. The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The directors regularly review these assets useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation charges for the period. Details of the depreciation policies based on estimated useful economic lives are included in accounting policies note 1.4.

(b) Inventory provisioning

The Company holds raw materials for production, work-in-progress and finished goods for sale. Stocks are held at the lower of cost and net realisable value. The assessment of net realisable value requires estimation regarding the future sale proceeds less the costs incurred to sell. The Company uses estimations based on historical experience and expectation of market conditions in determining net realisable value. The Company recognises the risk of stock obsolescence and the related potential impact on stock carrying values. Stocks are assessed at each reporting date for impairment and estimates based on a review of stock age and physical condition as well as historical experience are used in determining the level of stock provision required.

3. Turnover

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	15,839,230	9,134,607
Rest of Europe	891,253	520,335
Rest of the world	197,547	339,021
	<u>16,928,030</u>	<u>9,993,963</u>

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

4. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	7,520	7,300
Exchange differences	42,099	533
Depreciation	133,166	96,136
Amortisation	<u>46,190</u>	<u>46,191</u>

5. Employees

	2020 £	2019 £
Wages and salaries	2,006,045	1,668,815
Social security costs	173,273	158,842
Cost of defined contribution scheme	78,445	51,539
	<u>2,257,763</u>	<u>1,879,196</u>

The average monthly number of employees, including directors, during the year was 75 (2019 - 68).

6. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	407,474	317,553
Company contributions to defined contribution pension schemes	16,819	17,584
	<u>424,293</u>	<u>335,137</u>

During the year retirement benefits were accruing to 3 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £160,657 (2019 - £120,686).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,702 (2019 - £6,437).

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

7. Interest payable and similar expenses

	2020 £	2019 £
Bank interest paid	1,333	-
Finance leases and hire purchase contracts	2,626	835
	<u>3,959</u>	<u>835</u>

8. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	590,341	92,464
Adjustments in respect of previous periods	-	82
	<u>590,341</u>	<u>92,546</u>
Total current tax	<u>590,341</u>	<u>92,546</u>
Deferred tax		
Origination and reversal of timing differences	124,890	22,770
Total deferred tax	<u>124,890</u>	<u>22,770</u>
Taxation on profit on ordinary activities	<u>715,231</u>	<u>115,316</u>

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

8. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £	As restated 2019 £
Profit on ordinary activities before tax	<u>3,779,512</u>	<u>564,142</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	718,107	107,187
Effects of:		
Accelerated capital allowances	(136,622)	(18,118)
Expenses not deductible for tax purposes	9,086	2,768
Adjustments to tax charge in respect of prior periods	-	82
Short term timing difference leading to an increase (decrease) in taxation	(230)	627
Deferred tax	<u>124,890</u>	<u>22,770</u>
Total tax charge for the year	<u><u>715,231</u></u>	<u><u>115,316</u></u>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 19% to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the group and company's future current tax charge accordingly. The deferred tax liability at 31 May 2020 has been calculated on these rates.

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

9. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 June 2019	420,000	351,291	97,750	414,992	1,284,033
Additions	-	511,814	55,415	324,101	891,330
Disposals	-	-	(39,000)	-	(39,000)
At 31 May 2020	420,000	863,105	114,165	739,093	2,136,363
Depreciation					
At 1 June 2019	104,082	264,715	48,922	270,367	688,086
Charge for the year on owned assets	10,132	20,014	11,767	67,648	109,561
Charge for the year on financed assets	-	5,215	18,390	-	23,605
Disposals	-	-	(31,943)	-	(31,943)
At 31 May 2020	114,214	289,944	47,136	338,015	789,309
Net book value					
At 31 May 2020	<u>305,786</u>	<u>573,161</u>	<u>67,029</u>	<u>401,078</u>	<u>1,347,054</u>
At 31 May 2019	<u>315,918</u>	<u>86,576</u>	<u>48,828</u>	<u>144,625</u>	<u>595,947</u>

The net book value of assets secured against hire purchase agreements is £228,802.

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2019	415,715
At 31 May 2020	415,715
Impairment	
Charge for the period	46,190
At 31 May 2020	46,190
Net book value	
At 31 May 2020	369,525
At 31 May 2019	415,715
Subsidiary undertaking	

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Alpha Safety Limited (Dormant)	Tait & Peterson, Bank of Scotland Buildings Hangcliff Lane, Shetland, ZE1 0EB	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 May 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Alpha Safety Limited (Dormant)	28,333	-

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

11. Stocks

	2020 £	2019 £
Raw materials and consumables	776,027	234,829
Work in progress	109,521	57,811
Finished goods and goods for resale	1,170,870	1,627,445
	<u>2,056,418</u>	<u>1,920,085</u>

The carrying value of stocks are stated net of impairment losses totalling £18,093 (2019 - £Nil). Impairment losses totalling £18,093 (2019 - £Nil) were recognised in profit and loss.

12. Debtors

	2020 £	2019 £
Trade debtors	2,513,600	1,832,802
Amounts owed by group undertakings	2,582,612	2,268
Prepayments and accrued income	1,628,966	39,687
	<u>6,725,178</u>	<u>1,874,757</u>

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	4,381,543	319,456
	<u>4,381,543</u>	<u>319,456</u>

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,066,076	262,884
Amounts owed to group undertakings	28,415	28,233
Corporation tax	590,328	92,464
Other taxation and social security	920,708	121,345
Obligations under finance lease and hire purchase contracts	54,417	9,641
Other creditors	23,552	10,932
Accruals and deferred income	4,564,135	288,320
	<u>7,247,631</u>	<u>813,819</u>

Included in creditors falling due within one year are amounts of £54,417 (2019 - £9,641) which are secured on the assets to which the borrowing relates.

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

	2020 £	2019 £
Net obligations under finance leases and hire purchase contracts	150,403	19,628
	<u>150,403</u>	<u>19,628</u>

Included in creditors falling due after more than one year are amounts of £150,403 (2019 - £19,628) which are secured on the assets to which the borrowing relates.

16. Deferred taxation

	2020 £	2019 £
At beginning of year	(34,467)	(11,698)
Charged to the profit or loss	(124,890)	(22,769)
At end of year	<u>(159,357)</u>	<u>(34,467)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(161,010)	(36,326)
Short term timing differences	1,653	1,859
	<u>(159,357)</u>	<u>(34,467)</u>

ALPHA SOLWAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

17. Reserves

Share premium account

Premiums received on the issue of shares by the company.

Capital redemption reserve

Reserve of shares previously purchased by the company.

Profit and loss account

Profit and loss account represents retained cumulative profits and losses.

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
8,000 (2019 - 8,000) Ordinary shares of £0.10 each	<u>800</u>	<u>800</u>

19. Pension commitments

The company operates a defined contribution pension scheme in respect of certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £78,175 (2019 - £51,539). Contributions totalling £9,722 (2019 - £10,932) were payable to the fund at the balance sheet date and are included within creditors.

20. Commitments under operating leases

At 31 May 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	51,095	55,699
Later than 1 year and not later than 5 years	43,808	64,314
	<u>94,903</u>	<u>120,013</u>

21. Provision of guarantees

The company provided a debenture including a fixed and floating charge over all present freehold and leasehold property and assets of the business to their bankers. This was a cross guarantee with their parent company.

A group right of set off is held by the company's bankers.

ALPHA SOLWAY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

22. Related party transactions

The company has taken the exemption from disclosing transactions with other group companies as it is a wholly owned subsidiary. The company is a wholly owned subsidiary of Globus (Shetland) Limited.

The company has a 100% dormant subsidiary Alpha Safety Limited.

23. Controlling party

The ultimate controlling party is Globus (Shetland) Limited, a company registered in Scotland and whose consolidated financial statements, which include this company, are available from Companies House.

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.