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Registered number: 00468767

SOMERS FORGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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SOMERS FORGE LIMITED

COMPANY INFORMATION

Directors	C J Folkes P M Turner S J Folkes C L Folkes A A Folkes T Inglis K R Hayward (resigned 31 December 2018) J Warr P V Mitchell P Tomlinson P Riley (resigned 31 December 2018) A Roberts (appointed 5 March 2018, resigned 31 December 2018) A Cross (appointed 31 December 2018)
Company secretary	P Tomlinson
Registered number	00468767
Registered office	Haywood Forge Prospect Road Halesowen West Midlands B62 8DZ
auditor	Mazars LLP Chartered Accountants and Statutory Auditor 45 Church Street Birmingham B3 2RT
Bankers	HSBC Bank plc 114 High Street Stourbridge West Midlands DY8 1DZ

SOMERS FORGE LIMITED

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SOMERS FORGE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

The Forging operation produced an operating profit for the year of £819,251 (2017 - loss £63,058) which was incurred in challenging market conditions. Turnover has increased from £12,611,825 to £17,443,417.

The company continues to build the forward order load whilst maintaining a close control over expenditure, with the support of a skilled and motivated workforce.

The directors regard gross profit margin as the key performance indicator for the business. Gross profit margin for the year was 23.5% compared to 21.8% in the previous year. The margin has increased due to changes in sales mix along with lower production costs. The directors consider the company's position at the balance sheet date to be satisfactory and that it will enable the company to take advantage of opportunities as they arise in the coming year.

The company continues to enjoy a buoyant order book, which bodes well for 2019 and beyond.

Principal risks and uncertainties

Approach to risk

Management and the board regularly review risks facing the company. The directors consider that the principal risk factors that could affect the company's future operating profits or financial position are the volatility in the price and availability of raw material and significant changes in the market place. Contracts are entered into to agree the price of key production costs where possible to mitigate unexpected fluctuations in the market price. Long term relationships are built with suppliers to ensure continuity of supply with the market place being periodically reviewed for competitive alternatives. Production and stock management are tightly controlled to ensure that changes in the market place would not have a significant adverse effect on working capital requirements.

Foreign exchange risk

The company is exposed to the financial risks of changes in foreign currency exchange rates, although the directors do not consider these to be significant where appropriate forward contracts are used to hedge these exposures.

Credit risk

The company's principal financial assets are bank balances, cash, trade and other receivables. The company has no significant concentration of credit risk with exposure spread over a number of customers.

Liquidity risk

Liquidity risk is managed centrally at group level to maximise returns on deposit.

This report was approved by the board on

15 July 2019

and signed on its behalf



P M Turner
Director

SOMERS FORGE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

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 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 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.

Results and dividends

The profit for the year, after taxation, amounted to £754,357 (2017 - £58,349).

Directors

The directors who served during the year were:

C J Folkes
P M Turner
S J Folkes
C L Folkes
A A Folkes
T Inglis
K R Hayward (resigned 31 December 2018)
J Warr
P V Mitchell
P Tomlinson
P Riley (resigned 31 December 2018)
A Roberts (appointed 5 March 2018, resigned 31 December 2018)
A Cross (appointed 31 December 2018)

SOMERS FORGE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Effect of the withdrawal of the United Kingdom from the European Union

The directors do not anticipate that the withdrawal of the United Kingdom from the European Union will have any material impact on the business of the company.

Health and safety and environmental matters

During 2018, the environmental objectives of the business have continued to advance. We manufacture in accordance with the International Environment Management System 14001: 2015. We endeavour to reduce energy consumption & outperformed our annual target for Climate Change Levy.

At Somers Forge we place a high premium on Health & Safety. This year we are working towards the accreditation ISO 45001 – Occupational Health & Safety management system. The process of building a framework to improve employee safety, reduce workplace risks and create better, safer working conditions is underway. In 2019 we will be demonstrating compliance of the framework.

The CBM (Confederation of British Metalforming) operates a scheme of recognition for the top 3 performing companies each year regards Health and Safety accident reduction. Somers Forge is the 3rd most improved business re accident performance during 2018, and as such will be awarded a certificate from the CBM in recognition of that achievement.

Quality management continues to be paramount at Somers Forge. The team is focussed on delivering a quality product on time to our customers' and is accredited to BS EN ISO 9001:2015 & AS9100 Rev D.

Disclosure of information to auditor

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

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


Post balance sheet events

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

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15 July 2019 and signed on its behalf.



P M Turner
Director

SOMERS FORGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOMERS FORGE LIMITED

Opinion

We have audited the financial statements of Somers Forge Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, 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 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 3.

The terms on which the United Kingdom may withdraw from the European Union are not clear and it is therefore not currently possible to evaluate all the potential implications to Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

SOMERS FORGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOMERS FORGE LIMITED (CONTINUED)

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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.

SOMERS FORGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOMERS FORGE LIMITED (CONTINUED)

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 2, 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.

SOMERS FORGE LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOMERS FORGE LIMITED
(CONTINUED)**

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.



Ian Holder (Senior statutory auditor)

for and on behalf of
Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street
Birmingham
B3 2RT
Date:

16 July 2019

SOMERS FORGE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	3	17,443,417	12,611,825
Cost of sales		<u>(13,337,138)</u>	<u>(9,866,171)</u>
GROSS PROFIT		4,106,279	2,745,654
Distribution costs		<u>(1,053,218)</u>	<u>(911,885)</u>
Administrative expenses		<u>(2,233,810)</u>	<u>(1,896,827)</u>
OPERATING PROFIT/(LOSS)	4	819,251	(63,058)
Interest receivable and similar income	8	54,179	45,851
Interest payable and similar charges	9	<u>(63,159)</u>	<u>(45,935)</u>
PROFIT/(LOSS) BEFORE TAX		810,271	(63,142)
Tax on profit/(loss)	10	<u>(55,914)</u>	<u>121,491</u>
PROFIT FOR THE FINANCIAL YEAR		<u>754,357</u>	<u>58,349</u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 12 to 29 form part of these financial statements.

SOMERS FORGE LIMITED
REGISTERED NUMBER: 00468767

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	11	5,480,338	4,794,694
Investments	12	448,504	448,504
		<u>5,928,842</u>	<u>5,243,198</u>
CURRENT ASSETS			
Stocks	13	7,303,791	7,288,656
Debtors: amounts falling due within one year	14	5,012,736	5,092,966
Cash at bank and in hand	15	3,168,951	3,242,114
		<u>15,485,478</u>	<u>15,623,736</u>
Creditors: amounts falling due within one year	16	(5,369,327)	(5,521,809)
NET CURRENT ASSETS		<u>10,116,151</u>	<u>10,101,927</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,044,993</u>	<u>15,345,125</u>
Creditors: amounts falling due after more than one year	17	(1,700,000)	(1,800,000)
PROVISIONS FOR LIABILITIES			
Deferred tax	20	(49,368)	(3,857)
		<u>(49,368)</u>	<u>(3,857)</u>
NET ASSETS		<u>14,295,625</u>	<u>13,541,268</u>
CAPITAL AND RESERVES			
Called up share capital	21	1,000,023	1,000,023
Share premium account	22	1,999,977	1,999,977
Profit and loss account	22	11,295,625	10,541,268
		<u>14,295,625</u>	<u>13,541,268</u>

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



P M Turner
Director

15 July 2019

The notes on pages 12 to 29 form part of these financial statements.

SOMERS FORGE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	1,000,023	1,999,977	10,541,268	13,541,268
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	754,357	754,357
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	754,357	754,357
TOTAL TRANSACTIONS WITH OWNERS	-	-	-	-
AT 31 DECEMBER 2018	<u>1,000,023</u>	<u>1,999,977</u>	<u>11,295,625</u>	<u>14,295,625</u>

The notes on pages 12 to 29 form part of these financial statements.

SOMERS FORGE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1,000,023	1,999,977	10,482,919	13,482,919
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	58,349	58,349
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	58,349	58,349
TOTAL TRANSACTIONS WITH OWNERS	-	-	-	-
AT 31 DECEMBER 2017	1,000,023	1,999,977	10,541,268	13,541,268

The notes on pages 12 to 29 form part of these financial statements.

SOMERS FORGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

Financial reporting standard 102 - 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 United Kingdom and Republic of Ireland":

- the requirements of Section 7 Statements of Cash Flows;

This information is included in the consolidated financial statements of Folkes Forgings Acquisition Limited as at 31 December 2018 and these financial statements may be obtained from its registered office, or the address set out in note 25 of the financial statements.

The following principal accounting policies have been applied:

1.2 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.

SOMERS FORGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.3 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.4 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.

1.5 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

SOMERS FORGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.6 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 Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.7 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 balance sheet 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 Balance sheet 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 balance sheet date.

1.8 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.

SOMERS FORGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.8 Tangible fixed assets (continued)

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%
Plant & machinery	- 5 - 25%
Motor vehicles	- 25%

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.

1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

1.11 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.

1.12 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.

1.13 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.

SOMERS FORGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.14 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 Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

1.15 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 non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

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

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.15 Financial instruments (continued)

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

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

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

Property, plant and equipment

Property, plant and equipment represents a significant proportion of the asset base of the company being 25.6% in 2018 (2017: 23%) of the company's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement.

The useful lives of the Company's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Impairment of stock

The Company reviews the market value of and demand for its stock on a periodic basis to ensure that recorded stock is stated at the lower of cost and net realisable value. In order to assess the realisation of its stock, the Company is required to make judgements as to future demand requirements and to compare these with current stock levels.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	12,820,740	8,935,939
Rest of Europe	3,172,970	1,626,854
Rest of the world	1,449,707	2,049,032
	<u>17,443,417</u>	<u>12,611,825</u>

4. Operating profit/(loss)

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

	2018 £	2017 £
Depreciation of tangible fixed assets	882,679	896,029
Exchange differences	(56,816)	(61,095)
Defined contribution pension cost	97,943	73,360
	<u>938,806</u>	<u>908,294</u>

5. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>16,225</u>	<u>15,750</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Employees

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

	2018 £	2017 £
Wages and salaries	4,159,192	3,786,949
Social security costs	397,672	347,622
Cost of defined contribution scheme	97,943	73,360
	<u>4,654,807</u>	<u>4,207,931</u>

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

	2018 No.	2017 No.
Production	71	69
Sales and distribution	44	38
Administrative	10	10
	<u>125</u>	<u>117</u>

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	380,745	259,941
Company contributions to defined contribution pension schemes	<u>21,768</u>	<u>15,092</u>

During the year retirement benefits were accruing to 4 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £120,985 (2017 - £106,202).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,190 (2017 - £10,000).

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Interest receivable from group companies	45,991	38,466
Other interest receivable	8,188	7,385
	<u>54,179</u>	<u>45,851</u>

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	63,159	45,935
	<u>63,159</u>	<u>45,935</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	10,247	8,747
Adjustments in respect of previous periods	156	-
Total current tax	<u>10,403</u>	<u>8,747</u>
Deferred tax		
Origination and reversal of timing differences	134,304	(130,238)
Adjustments in respect of prior years	(88,793)	-
Total deferred tax	<u>45,511</u>	<u>(130,238)</u>
Taxation on profit/(loss) on ordinary activities	<u>55,914</u>	<u>(121,491)</u>

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	810,271	(63,142)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	153,951	(12,155)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,288	7,407
Capital allowances for year in excess of depreciation	4,110	-
Increase in DTA on losses recognised	-	(133,980)
Adjustments to tax charge in respect of prior periods	156	-
Adjustments to tax charge in respect of prior periods - deferred tax	(88,793)	-
Effect of change in UK tax rate	(15,798)	17,237
Total tax charge for the year	55,914	(121,491)

Factors that may affect future tax charges

A reduction in UK corporation tax to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. As a result the rate of 17% is used for the calculation of the deferred tax position as at 31 December 2018, on the basis that it will materially reverse after 1 April 2020.

A blended rate of 19.25% has been used the period ended 31 December 2017, following the reduction in corporation tax from 20% to 19% from 1 April 2017.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Tangible fixed assets

	Freehold property £	Plant & machinery £	Total £
Cost			
At 1 January 2018	2,000,000	15,692,752	17,692,752
Additions	-	1,577,748	1,577,748
Disposals	-	(64,694)	(64,694)
At 31 December 2018	<u>2,000,000</u>	<u>17,205,806</u>	<u>19,205,806</u>
Depreciation			
At 1 January 2018	59,167	12,838,891	12,898,058
Charge for the year on owned assets	10,000	872,679	882,679
Disposals	-	(55,269)	(55,269)
At 31 December 2018	<u>69,167</u>	<u>13,656,301</u>	<u>13,725,468</u>
Net book value			
At 31 December 2018	<u>1,930,833</u>	<u>3,549,505</u>	<u>5,480,338</u>
At 31 December 2017	<u>1,940,833</u>	<u>2,853,861</u>	<u>4,794,694</u>

Included in freehold property is freehold land at cost of £1,500,000 (2017 - £1,500,000) which is not depreciated.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018	550,241
At 31 December 2018	550,241
Impairment	
At 1 January 2018	101,737
At 31 December 2018	101,737
Net book value	
At 31 December 2018	448,504
At 31 December 2017	448,504

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Folkes Forgings Ltd	Prospect Road, Haywood Forge, Halesowen, B62 8DZ	Dormant	Ordinary	100%
Somers Steelstock Ltd	As above	Dormant	Ordinary	100%
City Forge Ltd	As above	Dormant	Ordinary	100%
Roland Metal Ltd	As above	Dormant	Ordinary	100%
CFE Stockholders Ltd	As above	Dormant	Ordinary	100%
Folkes Forge Ltd	As above	Dormant	Ordinary	100%
Clarkes Crankshaft Ltd	As above	Dormant	Ordinary	100%

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings was as follows:

Name	Aggregate of share capital and reserves £
Folkes Forgings Ltd	(1,506,423)
Somers Steelstock Ltd	155,158
City Forge Ltd	2,600
Roland Metal Ltd	(268,651)
CFE Stockholders Ltd	(4,240)
Folkes Forge Ltd	650,000
Clarks Crankshaft Ltd	2

13. Stocks

	2018 £	2017 £
Raw materials and consumables	1,748,563	1,624,834
Work in progress	2,628,750	3,079,111
Finished goods and goods for resale	2,926,478	2,584,711
	<u>7,303,791</u>	<u>7,288,656</u>

An impairment loss of £52,257 (2017: £112,121) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. Debtors

	2018 £	2017 £
Trade debtors	3,150,461	3,075,215
Amounts owed by associated undertakings	1,747,631	1,908,501
Other debtors	2,970	2,962
Prepayments and accrued income	111,674	106,288
	<u>5,012,736</u>	<u>5,092,966</u>

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Cash at bank and in hand

	2018 £	2017 £
Cash at bank and in hand	3,168,951	3,242,114
	<u>3,168,951</u>	<u>3,242,114</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans	200,000	200,000
Trade creditors	3,139,808	2,275,875
Amounts owed to group undertakings	750,000	750,000
Corporation tax	10,247	8,747
Other taxation and social security	201,131	239,066
Other creditors	49,110	40,477
Accruals and deferred income	1,019,031	2,007,644
	<u>5,369,327</u>	<u>5,521,809</u>

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

	2018 £	2017 £
Bank loans	1,700,000	1,800,000
	<u>1,700,000</u>	<u>1,800,000</u>

The bank loan is secured with a first legal charge over the freehold property per note 11. Analysis of the maturity of the bank loan is provided in Note 18.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
Amounts falling due 1-2 years		
Bank loans	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
Amounts falling due 2-5 years		
Bank loans	1,500,000	1,600,000
	<u>1,500,000</u>	<u>1,600,000</u>
	<u>1,900,000</u>	<u>2,000,000</u>

The bank loan is secured with a first legal charge over the freehold property per note 11.

19. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	3,168,951	3,242,114
Financial assets that are debt instruments measured at amortised cost	4,901,062	4,986,678
	<u>8,070,013</u>	<u>8,228,792</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(5,861,887)</u>	<u>(5,166,915)</u>

The Company is exposed to currency exchange risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts. The forward foreign exchange contracts all mature within 12 months. At the year end date the Company has contracts to sell SEK3,600,000 and €1,100,000 and contracts to buy \$850,000.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Deferred taxation

	2018 £	2017 £
At beginning of year	(3,857)	(134,095)
Charged to the profit or loss	(45,511)	130,238
At end of year	(49,368)	(3,857)

The provision for deferred taxation is made up as follows.

	2018 £	2017 £
Accelerated capital allowances	(133,665)	(150,850)
Other timing differences	2,694	1,367
Trading losses	81,603	145,626
	(49,368)	(3,857)

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
123 (2017 - 123) Ordinary shares of £1.00 each	123	123
999,900 (2017 - 999,900) Preference shares of £1.00 each	999,900	999,900
	1,000,023	1,000,023

The preference shares carry no voting rights and carry no entitlement to dividends. On winding up of the company the preference shares have priority over the ordinary shareholders in respect of repayment of the nominal amount of issued share capital.

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Reserves

Share premium account

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

Profit & loss account

Includes all current and prior period retained profit and losses.

23. Capital commitments

At 31 December 2018 the Company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	25,558	-
	<u>25,558</u>	<u>-</u>

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £97,943 (2017 - £73,360). There were contributions payable to the fund of £15,852 (2017 - £8,040) at the balance sheet date.

25. Related party transactions

During the year, the Company entered into the following transactions with companies under common ownership resulting in balances being owed to the company at the year end:

	2018 £	2017 £
Amounts owed by Folkes Holdings Ltd	1,593,231	1,764,101
Amounts owed to Folkes Forgings Acquisitions Ltd	(750,000)	(750,000)
Amounts owed by Folkes Properties Ltd	104,400	104,400
Amounts owed by Controlled Heat Treatments Ltd	50,000	40,000
Folkes Holdings Jersey Ltd service fee	250,000	250,000
Folkes Holdings Ltd service fee	350,000	85,000
Controlled Heat Treatments Ltd administrative fee income	50,000	40,000
Folkes Holdings Ltd - pension recharge paid	26,062	28,681
Folkes Holdings Ltd - salary recharge paid	-	45,520
	<u>1,523,693</u>	<u>1,467,101</u>

SOMERS FORGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

26. Controlling party

The Company's immediate parent undertaking is Folkes Forgings Acquisition Limited, a company registered in England and Wales. Consolidated financial statements of the group are available to the public from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company's ultimate controlling party is Mr CJ Folkes who has a beneficial interest in 52.5% (2017: 50.31%) of the issued share capital of Folkes Forgings Acquisition Limited. Mr Folkes immediate family own or are beneficiaries of the remaining 47.5%.



Companies House

COMPANY NAME: SOMERS FORGE LIMITED

COMPANY NUMBER: 00468767

Pages were administratively removed from the Accounts on 23/08/2019 as they contained unnecessary material