

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
FOR
JOHN REID & SONS (STRUCSTEEL) LIMITED

Schofields
Chartered Accountants and Statutory Auditors
5th Floor
Waverley House
115 - 119 Holdenhurst Road
Bournemouth
Dorset
BH8 8DY

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For The Year Ended 31 March 2021

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JOHN REID & SONS (STRUCSTEEL) LIMITED

COMPANY INFORMATION
For The Year Ended 31 March 2021

DIRECTORS:

Peter Reid
Timothy Reid
Simon Boyd
Timothy Cook
Donna Campo
Simon Morgan
Dario Di Felice

REGISTERED OFFICE:

3 Reid Street
Christchurch
Dorset
BH23 2BT

REGISTERED NUMBER:

00617773 (England and Wales)

AUDITORS:

Schofields
Chartered Accountants and Statutory Auditors
5th Floor
Waverley House
115 - 119 Holdenhurst Road
Bournemouth
Dorset
BH8 8DY

STRATEGIC REPORT
For The Year Ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

REVIEW OF BUSINESS

While 2020/21 was a torrid year for the nation as a whole and many businesses, the directors are pleased to report a record year for the company. Once again, the company saw significant top-line growth in the year, with revenue growing to £32m. This represented 7,368 tonnes of steel production, up from 5,216 tonnes in 2019/20. 56% of our revenue in 2020/21 derived from repeat customers, while 44% came from new business. Profitability also improved markedly over the prior year and the directors are pleased to report a profit before tax of £1.3m, some 4% of sales. There were no exceptional costs in the year.

Order intake was £25m in the year, down from £30m in 2019/20.

The directors continued to develop the strength of the board with the appointment of Dario Di Felice to the board of the Operating Company in the role of Contracts Director. Prior to his appointment, Dario was our Head of Contracts and had been working with us in a contract management and quantity surveying consultant role for a number of years.

The company remains focused on its overseas markets and continues to develop such markets, as well as looking into other areas of the home market, where it now sees a return to growth. Development of export revenue has been challenging during the Covid pandemic and the directors are considering how to reinvigorate export marketing now that travel is possible. Export revenue stabilised at £13m in the year (2019/20: £13m), representing 41% of sales while domestic revenue grew to £19m (2019/20: £11m), representing 59% of sales.

The directors were saddened by the news that Michael Reid, who dedicated over 60 years of his life to the company, died on 26 April 2021. While attendance at the funeral was limited by Covid restrictions, the funeral procession was able to drive through the company's site in Christchurch, giving employees past and present the opportunity to pay their final respects. The directors extend their condolences to Michael's family and look forward to working with the new shareholders to continue to grow the company.

PRINCIPAL RISKS AND UNCERTAINTIES

The board considers risk assessment, identification of mitigating actions and internal control to be fundamental to the operation of the company. The principal risks are described as:

- Management of health and safety risks.
- Successful winning and execution of contracts.
- Provision of first-class customer service.
- Attracting, retaining and motivating employees.
- Maintenance of a supportive and capable supply chain

Management of these risks has enabled the company to perform strongly through the uncertainties caused by the Covid-19 pandemic: the company's first priority was to ensure the safety of its people, which caused the temporary suspension of operations and moving desk-based staff to working from home. The company's next priority was to ensure continuity of service to its customers, as a result of which the directors developed safe systems of work compliant with government guidelines. During the pandemic, the company's factory was closed for six weeks and construction sites for eight weeks while safe methods of working were established.

As Covid restrictions are being lifted by the Government, management is keeping its working practices under constant review to ensure that the whole team can work safely and as a single team.

The company's business development and bid management functions are responsible for identifying and winning new business within profitability parameters set by the board. The company's contract management resources are responsible for the successful execution of projects while the whole company is focused on delivering first-class customer service. Projects are reviewed post-completion to identify improvement opportunities for future projects and customer feedback is sought to ensure that we are able to continually improve the customer experience.

The majority of the company's export revenue is denominated in Sterling, meaning that the company does not face a significant currency risk.

The company's human resources function is responsible for working with line managers to recruit, train and retain our employees. New joiners are given a bespoke training plan to ensure that they are fully versed in the requirements of their role and all employees participate in an annual appraisal cycle to support their personal and business development. Starting from 1 April 2021, all employees are now on a common annual incentive programme while senior managers and non-family directors benefit from an enterprise management incentive scheme which gives them options to purchase minority shareholdings in the company.

The company's commercial discipline is responsible for maintaining key supplier relationships including supplier selection, development and management. Close and loyal relationships with key suppliers ensures that the company is able to obtain excellent supplier service giving us a competitive advantage in winning and executing projects. Sub-contract fabrication and surface treatment supplier relationships are maintained by the Production discipline and enabled us to deliver over 300% of our production capacity in 2020/21.

The board believes that the prompt conclusion of Brexit negotiations will further support the growth of the business and that its Buy British policy and low exposure to EU markets mean that a successful Brexit will offer more opportunity than risk to the company.

STRATEGIC REPORT
For The Year Ended 31 March 2021

FIXED ASSETS

There has been no material change to the make up of the company's fixed assets during the year; movements are detailed in note 9 of the financial statements.

FUTURE DEVELOPMENTS

It remains a core priority of the directors to improve the capacity and efficiency of the company's manufacturing operations. During the year, the directors negotiated a lease with option to buy over the Peek's Partystore site adjacent to the company's current factory; plans have been prepared and following consultation with the local community a planning application has been lodged to redevelop this site to house a new state of the art fabrication facility to see support the company's growth through its second century of operations. Pending construction of the new factory, the company has made targeted investments to release bottlenecks in current manufacturing processes to allow a reduction in dependence on sub-contract fabrication.

The company has completed its review of software systems and is currently engaged with a software provider to implement a cloud-based, construction focused ERP system. Go-live for the new system is expected in the second half of the 2021/22 financial year.

OUTLOOK

As noted above, 2020/21 was a record year for the company with the highest revenue and profitability in over a decade. This is testament to the quality, skill and dedication of our entire workforce, which will underpin our future performance.

Since year end, the steel construction market has faced a number of headwinds with materials prices escalating rapidly while availability of certain items has become scarce. The company has seen increases in hot-rolled steel section of over 100%, while lead times for steel coil used in cladding have increased from a few weeks to over six months and prices have also more than doubled.

Furthermore, there is evidence that uncertainties over the future trading environment have slowed down client and customer decision making processes.

The volatile pricing environment and longer customer decision making cycles have contributed to a slow down in order intake during the first half of 2021/22, which will lead to a reduction in top line revenue for the year. However, the pipeline for 2022/23 is robust and we see demand returning to 2020/21 levels in the next few months.

The board has agreed that cash reserves must be maintained to fund growth in turnover, future market development, investment in new IT and technology, and for the development of the new manufacturing facility. Appropriate reserves should also be retained for the financing of the requirement for customer performance bonds. While the directors prefer not to borrow cash to meet our day to day working capital requirements, discussions are ongoing with our bankers to ensure that sufficient facilities are in place to allow the company to continue trading through the current downturn. The directors have agreed not to pay any final dividend for 2020/21 nor an interim dividend for 2021/22.

ON BEHALF OF THE BOARD:

Simon Boyd - Director

6 October 2021

REPORT OF THE DIRECTORS
For The Year Ended 31 March 2021

The directors present their report with the financial statements of the company for the year ended 31 March 2021.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the design, manufacture and erection of high quality steel structures, including aircraft hangars and their electro-mechanical doors, warehouses, industrial buildings, grandstands, multi-storey buildings for hotels, offices and multi-storey car parks, highway bridges, sports halls, protective hangars for military aircraft, defence structures, communication towers and many other steel structures. The company also designs, manufactures and installs doors, curtain walling, windows and other glazing systems. The company has a proud history of designing and fabricating containerised structures for export markets, for which erection supervisory services are provided world-wide.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2021.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2020 to the date of this report:

Peter Reid
Timothy Reid
Simon Boyd
Timothy Cook
Simon Morgan

Other changes in directors holding office are as follows:

Donna Campo - appointed 2 June 2020

Dario Di Felice was appointed as director after 31 March 2021 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Schofields, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Timothy Reid - Director

6 October 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF JOHN REID & SONS (STRUCSTEEL) LIMITED

Opinion

We have audited the financial statements of John Reid & Sons (Strucsteel) Limited (the 'company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
JOHN REID & SONS (STRUCSTEEL) LIMITED**

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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

An understanding of the legal and regulatory framework the company operates in was obtained through discussions with directors and other management in addition to our general industry and sector experience. The most significant laws and regulations identified, being those that have a direct effect on material amounts and disclosures in the financial statements, are FRS 102, Companies Act 2006 and HM Revenue & Customs (HMRC) Tax Legislation.

We also considered other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate, or to avoid material penalty. These included the requirements of the various Health and Safety Regulations and the company's obligations under Coronavirus Legislation.

Audit procedures were performed to obtain sufficient evidence regarding compliance. These procedures include making enquiries to directors and other management in addition to the inspection of applicable regulatory and legal correspondence. Financial statement disclosures were reviewed and tested to supporting documentation.

Enquiries were also made to the directors and other management to assess the company's internal control environment and their policies and procedures on fraud risk. The company's systems and controls were documented, and audit procedures were designed to test these controls. Further, the risk of management override of controls was addressed through testing journal entries and other adjustments for appropriateness. The judgements made in making accounting estimates were assessed for any indication of potential bias, and the business rationale of significant transactions outside the normal course of the business was evaluated.

We have properly planned and performed the audit in accordance with auditing standards and all members of the engagement team have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. However, the inherent nature of the audit, and the limited procedures performed, means there is an unavoidable risk that some irregularities may have gone undetected. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 Report of the Auditors.

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 a Report of the Auditors 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.

Mr P J Schofield FCA (Senior Statutory Auditor)
for and on behalf of Schofields
Chartered Accountants and Statutory Auditors
5th Floor
Waverley House
115 - 119 Holdenhurst Road
Bournemouth
Dorset
BH8 8DY

6 October 2021

JOHN REID & SONS (STRUCSTEEL) LIMITED (REGISTERED NUMBER: 00617773)**STATEMENT OF COMPREHENSIVE INCOME****For The Year Ended 31 March 2021**

	Notes	2021 £	2020 £
TURNOVER	3	32,382,282	24,252,809
Cost of sales		(26,610,715)	(20,387,776)
GROSS PROFIT		5,771,567	3,865,033
Distribution costs		(51,325)	(61,858)
Administrative expenses		(4,633,594)	(4,766,788)
		1,086,648	(963,613)
Other operating income		186,891	153,898
OPERATING PROFIT/(LOSS)	5	1,273,539	(809,715)
Profit on sale of operation	6	13,782	-
		1,287,321	(809,715)
Interest receivable and similar income		1,640	17,181
		1,288,961	(792,534)
Interest payable and similar expenses	7	(1,294)	(1,410)
PROFIT/(LOSS) BEFORE TAXATION		1,287,667	(793,944)
Tax on profit/(loss)	8	(176,524)	148,965
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,111,143	(644,979)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,111,143	(644,979)

The notes form part of these financial statements

JOHN REID & SONS (STRUCSTEEL) LIMITED (REGISTERED NUMBER: 00617773)**BALANCE SHEET****31 March 2021**

	Notes	2021 £	£	2020 £	£
FIXED ASSETS					
Tangible assets	9		745,163		701,595
CURRENT ASSETS					
Stocks	10	714,270		710,784	
Debtors	11	5,784,940		5,704,142	
Cash at bank and in hand		<u>4,598,564</u>		<u>3,323,669</u>	
		11,097,774		9,738,595	
CREDITORS					
Amounts falling due within one year	12	<u>7,639,075</u>		<u>7,896,973</u>	
NET CURRENT ASSETS			<u>3,458,699</u>		<u>1,841,622</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,203,862</u>		<u>2,543,217</u>
PROVISIONS FOR LIABILITIES	15		<u>570,425</u>		<u>20,923</u>
NET ASSETS			<u><u>3,633,437</u></u>		<u><u>2,522,294</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		527,722		527,722
Share premium	17		20,427		20,427
Capital redemption reserve	17		4,510		4,510
Retained earnings	17		<u>3,080,778</u>		<u>1,969,635</u>
SHAREHOLDERS' FUNDS			<u><u>3,633,437</u></u>		<u><u>2,522,294</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 6 October 2021 and were signed on its behalf by:

Simon Boyd - Director

Timothy Reid - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2021

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 April 2019	527,722	2,614,614	20,427	4,510	3,167,273
Changes in equity					
Total comprehensive income	-	(644,979)	-	-	(644,979)
Balance at 31 March 2020	527,722	1,969,635	20,427	4,510	2,522,294
Changes in equity					
Total comprehensive income	-	1,111,143	-	-	1,111,143
Balance at 31 March 2021	527,722	3,080,778	20,427	4,510	3,633,437

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2021

1. STATUTORY INFORMATION

John Reid & Sons (Strucsteel) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Going concern

The impact of Covid-19 and other factors has been considered by the directors when assessing whether the company is a going concern. Management has taken into account all of the available information about the future of the company and its ability to meet debts and obligations as they fall due. It has been concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 33.7.

Significant judgements and estimates

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

- Amounts recoverable on contracts are recognised by reference to the proportion of work carried out and the profit included is calculated on a prudent basis which involves management judgement.

Turnover

Turnover is recognised when economic benefits flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 10% or 20% on cost
Fixtures and fittings	- 10% or 20% on cost
Motor vehicles	- 20% on cost

Government grants

Grants relating to revenue are recognised as income on a systemic basis over the periods in which the related costs are intended to compensate.

Grants relating to assets are recognised as income on a systemic basis over the expected useful life of the asset.

Stocks

Stocks and work in progress (excluding customer contract balances) are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Customer contracts

The attributable profit on customer contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with customer contracts are included in the amounts recoverable on contracts to the extent that they cannot be matched with contract work accounted for as turnover. Customer contract balances included in amounts recoverable on contracts are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

Loans and borrowings are initially recognised at the transition price including transition costs. Subsequently, they are measured at amortised cost using the effective interest method, less impairment.

3. TURNOVER

The turnover and profit (2020 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2021	2020
	£	£
Steel construction	32,363,905	24,141,673
Marine division	18,377	111,136
	<u>32,382,282</u>	<u>24,252,809</u>

NOTES TO THE FINANCIAL STATEMENTS - continued**For The Year Ended 31 March 2021****3. TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	2021 £	2020 £
United Kingdom	19,098,383	10,945,045
Overseas	13,283,899	13,307,764
	<u>32,382,282</u>	<u>24,252,809</u>

The amount of contract revenue recognised as turnover in the period is £32,363,905, measured in accordance with the company's accounting policy.

4. EMPLOYEES AND DIRECTORS

	2021 £	2020 £
Wages and salaries	5,179,567	4,121,422
Social security costs	554,870	490,460
Pension costs	222,951	170,906
	<u>5,957,388</u>	<u>4,782,788</u>

The average number of employees during the year was as follows:

	2021	2020
Office and Management	73	69
Production	57	56
	<u>130</u>	<u>125</u>

	2021 £	2020 £
Directors' remuneration	893,865	622,559
Directors' pension contributions to money purchase schemes	<u>71,000</u>	<u>44,936</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2021	2020
Money purchase schemes	<u>6</u>	<u>5</u>

Information regarding the highest paid director is as follows:

	2021 £	2020 £
Emoluments etc	230,383	181,287
Pension contributions to money purchase schemes	<u>12,000</u>	<u>12,000</u>

5. OPERATING PROFIT/(LOSS)

The operating profit (2020 - operating loss) is stated after charging/(crediting):

	2021 £	2020 £
Other operating leases	103,143	6,882
Depreciation - owned assets	270,296	225,643
Depreciation - assets on hire purchase contracts	-	7,960
Loss/(profit) on disposal of fixed assets	41,340	(5,371)
Auditors' remuneration	<u>25,045</u>	<u>24,435</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 31 March 2021

6. EXCEPTIONAL ITEMS

	2021	2020
	£	£
Profit on sale of operation	<u>13,782</u>	<u>-</u>

The profit on sale of operation relates to the sale of the marine division goodwill.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Hire purchase	<u>1,294</u>	<u>1,410</u>

8. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2021	2020
	£	£
Current tax:		
UK corporation tax	2,930	-
Research and development tax credit	(6,199)	(62,486)
Losses carried back	-	(1,744)
Total current tax	<u>(3,269)</u>	<u>(64,230)</u>
Deferred tax	<u>179,793</u>	<u>(84,735)</u>
Tax on profit/(loss)	<u>176,524</u>	<u>(148,965)</u>

UK corporation tax was charged at 19% in 2020.

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Profit/(loss) before tax	<u>1,287,667</u>	<u>(793,944)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	244,657	(150,849)
Effects of:		
Expenses not deductible for tax purposes	205	3,848
Adjustments to tax charge in respect of previous periods	(2,668)	24,923
Research and development enhanced deduction/tax credits	<u>(65,670)</u>	<u>(26,887)</u>
Total tax charge/(credit)	<u>176,524</u>	<u>(148,965)</u>

The current year research and development tax credit of £6,199 is an adjustment to the tax credit in respect of previous periods.

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 31 March 2021

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 April 2020	2,656,635	1,283,576	158,145	4,098,356
Additions	54,318	302,101	-	356,419
Disposals	(165,574)	(420,145)	-	(585,719)
At 31 March 2021	<u>2,545,379</u>	<u>1,165,532</u>	<u>158,145</u>	<u>3,869,056</u>
DEPRECIATION				
At 1 April 2020	2,273,837	1,024,957	97,967	3,396,761
Charge for year	102,201	143,661	24,434	270,296
Eliminated on disposal	(160,675)	(382,489)	-	(543,164)
At 31 March 2021	<u>2,215,363</u>	<u>786,129</u>	<u>122,401</u>	<u>3,123,893</u>
NET BOOK VALUE				
At 31 March 2021	<u>330,016</u>	<u>379,403</u>	<u>35,744</u>	<u>745,163</u>
At 31 March 2020	<u>382,798</u>	<u>258,619</u>	<u>60,178</u>	<u>701,595</u>

The net book value of tangible fixed assets includes £NIL (2020 - £ 23,880) in respect of assets held under hire purchase contracts.

10. STOCKS

	2021 £	2020 £
Raw materials	<u>714,270</u>	<u>710,784</u>

11. DEBTORS

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	2,483,036	2,165,111
Amounts owed by group undertakings	1,652,891	1,612,302
Amounts recoverable on contracts	970,714	1,310,133
Other debtors	298,632	188,767
Corporation tax	112,648	106,449
Deferred tax asset	-	88,583
Prepayments	<u>247,164</u>	<u>212,942</u>
	<u>5,765,085</u>	<u>5,684,287</u>
Amounts falling due after more than one year:		
Corporation tax	<u>19,855</u>	<u>19,855</u>
Aggregate amounts	<u>5,784,940</u>	<u>5,704,142</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 31 March 2021

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Hire purchase contracts (see note 13)	-	16,418
Trade creditors	2,469,301	2,695,439
Corporation tax	2,932	1,746
Social security and other taxes	167,792	130,258
Other creditors	615,589	93,325
Sales invoiced in advance	4,117,885	4,912,859
Accrued expenses	265,576	46,928
	<u>7,639,075</u>	<u>7,896,973</u>

13. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2021	2020
	£	£
Net obligations repayable:		
Within one year	<u>-</u>	<u>16,418</u>
	Non-cancellable operating	
	leases	
	2021	2020
	£	£
Within one year	320,481	26,105
Between one and five years	<u>537,116</u>	<u>46,415</u>
	<u>857,597</u>	<u>72,520</u>

14. FINANCIAL INSTRUMENTS

	2021	2020
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>5,784,940</u>	<u>5,704,142</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>7,639,075</u>	<u>7,896,973</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and prepayments and corporation tax.

Financial liabilities measured at amortised cost comprise trade creditors, social security and other taxes, other creditors and accruals and sales invoiced in advance.

15. PROVISIONS FOR LIABILITIES

	2021	2020
	£	£
Deferred tax	91,210	-
Contract remedial costs	<u>479,215</u>	<u>20,923</u>
	<u>570,425</u>	<u>20,923</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 March 2021

15. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £	Contract remedial costs £
Balance at 1 April 2020	(88,583)	20,923
Charge to Statement of Comprehensive Income during year	179,793	458,292
Balance at 31 March 2021	<u>91,210</u>	<u>479,215</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2021 £	2020 £
527,722	Ordinary		<u>527,722</u>	<u>527,722</u>

17. RESERVES

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 April 2020	1,969,635	20,427	4,510	1,994,572
Profit for the year	1,111,143			1,111,143
At 31 March 2021	<u>3,080,778</u>	<u>20,427</u>	<u>4,510</u>	<u>3,105,715</u>

Retained earnings represents cumulative profits and losses net of dividends and other adjustments.

The share premium reserve records the amount above the nominal value received for shares sold, less transaction costs.

The capital redemption reserve records the nominal value of shares repurchased by the company.

18. PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of John Reid & Sons (Strucsteel) Holdings Limited incorporated in England.

19. CONTINGENT LIABILITIES

The Company, in the normal course of business, has given guarantees totalling £201,434 in respect of the Company's own contracts. Where the Company enters into such arrangements, it does so in order to provide assurance to the beneficiary that it will fulfil its existing contractual obligations. The issue of such guarantees does not therefore increase the Company's overall exposure and the disclosure of such bonds and guarantees is given for information purposes only.

20. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 March 2021 and 31 March 2020:

	2021 £	2020 £
Peter Reid		
Balance outstanding at start of year	497	-
Amounts advanced	-	497
Amounts repaid	(497)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>497</u>

NOTES TO THE FINANCIAL STATEMENTS - continued**For The Year Ended 31 March 2021****20. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES - continued****Timothy Reid**

Balance outstanding at start of year	2,178	24,070
Amounts repaid	(2,146)	(21,892)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>32</u>	<u>2,178</u>

Simon Boyd

Balance outstanding at start of year	52,374	44,657
Amounts advanced	-	7,717
Amounts repaid	(11,153)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>41,221</u>	<u>52,374</u>

Timothy Cook

Balance outstanding at start of year	25,000	25,000
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>25,000</u>	<u>25,000</u>

Loans to directors are unsecured, provided interest free and are repayable on demand.

21. RELATED PARTY DISCLOSURES**Other related parties**

	2021 £	2020 £
Sale of marine division	15,000	-
Amount due from related party	<u>15,000</u>	<u>-</u>

During the year, a total of key management personnel compensation of £ 964,865 (2020 - £ 667,495) was paid.

22. PENSION SCHEMES

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by the trustees in a fund independent from those of the company.

The contributions paid in the year amounted to £222,951 (2020 - £170,906).

23. GOVERNMENT GRANTS

During the year cash payments totalling £156,689 (2020 - £nil) were receivable through the Coronavirus Job Retention Scheme to compensate for wages, associated national insurance contributions and employer pension contributions of employees placed on furlough.

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