

Company Registration No. 01733820 (England and Wales)

**ACORN INDUSTRIAL SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

SATURDAY



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# ACORN INDUSTRIAL SERVICES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	M Povey P D Spillings B Helgesson I Sjölin G P Stacey S Stenström	(Appointed 20 December 2018) (Appointed 15 October 2018)
<b>Secretary</b>	Mr M Povey	
<b>Company number</b>	01733820	
<b>Registered office</b>	Unit A Denby Way Hellaby Industrial Estate Rotherham South Yorkshire S66 8HR	
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL	
<b>Bankers</b>	Handelsbanken 7th Floor 3 St Paul's Place 129 Norfolk Street Sheffield S1 2JE	
<b>Solicitors</b>	Keebles LLP Commercial House Commercial Street Sheffield South Yorkshire S1 2AT	

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# ACORN INDUSTRIAL SERVICES LIMITED

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# ACORN INDUSTRIAL SERVICES LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present the strategic report for the year ended 31 December 2018.

### Fair review of the business

Acorn Industrial Services Ltd are a technical Distributor of Industrial Power Transmission products and services.

We supply customers in the Distribution, OEM and MRO markets with IPT products and services including Bearings, Belt and Chain Drives, Linear Systems, Couplings and drives and IPT consumables.

The board of Directors are content with the overall performance during the year and are confident that the company is in a solid position to continue at this level into 2019.

Acorn Industrial Services Ltd is part of the New Power Transmission Solutions Platform within the Axel Johnson International Group. The platform supplies a growing number of customers across Europe with further acquisitions planned for 2019.

Continued growth across all customer segments and accelerated development of Acorn's supplier brand structure has continued to consolidate our market position as a Specialised Technical Distributor.

The directors recognise that the outlook for 2019 is by no means guaranteed to continue at 2018 levels. Brexit drawing ever closer brings uncertainty from customers and continued price increases from suppliers will all contribute to another challenging year.

A continued focus on all operational areas including IT systems and Warehouse functions will keep Acorn at forefront logistically with increased attention to increase our offer and range of items available.

### Principal risks and uncertainties

#### Interest Rate Risk

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

#### Liquidity Risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and bank overdraft facilities.

#### Currency Risk

The company is exposed to currency risk as it trades in currencies other than British pounds, including Euros and US dollars. The company seeks to manage currency risk by matching sales and purchases in foreign currencies, the use of foreign currency bank accounts and foreign currency forward contracts

### Key performance indicators

	2018	2017	Movement	% change
	£'000	£'000	£'000	
Turnover	27,348	25,598	1,750	7%
Gross profit	8,553	8,365	188	2%
Profit before tax	2,427	2,763	(336)	(12%)

# **ACORN INDUSTRIAL SERVICES LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

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On behalf of the board

.....  
M Povey  
Director

20 June 2019



# ACORN INDUSTRIAL SERVICES LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

### Principal activities

The principal activity of the company is the distribution of bearings and power transmission & linear motion products.

### Directors

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

M Povey

P D Spillings

B Helgesson

I Sjölin

G P Stacey

(Appointed 20 December 2018)

S Stenström

(Appointed 15 October 2018)

### Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### Independent auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the company will be put at a General Meeting.

### Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

# ACORN INDUSTRIAL SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### Statement of disclosure to auditors

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

On behalf of the board

.....  
M Povey

Director

20 June 2019



# **ACORN INDUSTRIAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF ACORN INDUSTRIAL SERVICES LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Acorn Industrial Services Limited's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.



# **ACORN INDUSTRIAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF ACORN INDUSTRIAL SERVICES LIMITED**

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

##### **Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

# ACORN INDUSTRIAL SERVICES LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF ACORN INDUSTRIAL SERVICES LIMITED

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#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



**Nicholas Cook (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Leeds**

24 June 2019

# ACORN INDUSTRIAL SERVICES LIMITED

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

	Notes	2018 £	2017 £
Turnover	3	27,348,296	25,598,119
Cost of sales		(18,795,157)	(17,232,807)
<b>Gross profit</b>		<b>8,553,139</b>	<b>8,365,312</b>
Distribution costs		(728,362)	(689,001)
Administrative expenses		(5,389,633)	(4,903,377)
<b>Operating profit</b>	4	<b>2,435,144</b>	<b>2,772,934</b>
Interest payable and similar expenses	8	(8,229)	(10,048)
<b>Profit before taxation</b>		<b>2,426,915</b>	<b>2,762,886</b>
Tax on profit	9	(482,637)	(513,687)
<b>Profit for the financial year</b>		<b>1,944,278</b>	<b>2,249,199</b>
<b>Total comprehensive income for the year</b>		<b>1,944,278</b>	<b>2,249,199</b>

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# ACORN INDUSTRIAL SERVICES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Goodwill	11		-		34,962
Tangible assets	12		507,701		314,222
			<u>507,701</u>		<u>349,184</u>
<b>Current assets</b>					
Stocks	13	4,881,814		3,905,629	
Debtors	14	10,810,756		9,294,323	
Cash at bank and in hand		1,338,654		1,017,770	
		<u>17,031,224</u>		<u>14,217,722</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(4,723,027)</u>		<u>(3,708,586)</u>	
<b>Net current assets</b>			<u>12,308,197</u>		<u>10,509,136</u>
<b>Total assets less current liabilities</b>			<u>12,815,898</u>		<u>10,858,320</u>
<b>Provisions for liabilities</b>	16		<u>(49,300)</u>		<u>(36,000)</u>
<b>Net assets</b>			<u><u>12,766,598</u></u>		<u><u>10,822,320</u></u>
<b>Capital and reserves</b>					
Called up share capital	19		100		100
Capital redemption reserve			105		105
Profit and loss account			12,766,393		10,822,115
<b>Total equity</b>			<u><u>12,766,598</u></u>		<u><u>10,822,320</u></u>

The financial statements on page 8 to 21 were approved by the board of directors and authorised for issue on 20/12/2019 and are signed on its behalf by:

.....  
M Povey  
Director

Company Registration No. 01733820

# ACORN INDUSTRIAL SERVICES LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2017</b>		100	105	9,572,916	9,573,121
<b>Year ended 31 December 2017:</b>					
Profit and total comprehensive income for the year		-	-	2,249,199	2,249,199
Dividends	10	-	-	(1,000,000)	(1,000,000)
<b>Balance at 31 December 2017</b>		100	105	10,822,115	10,822,320
<b>Year ended 31 December 2018:</b>					
Profit and total comprehensive income for the year		-	-	1,944,278	1,944,278
<b>Balance at 31 December 2018</b>		100	105	12,766,393	12,766,598

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### Company information

Acorn Industrial Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A, Denby Way, Hellaby Industrial Estate, Rotherham, South Yorkshire, S66 8HR.

#### 1.1 Accounting convention

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Axel Johnson AB. These consolidated financial statements are available from its registered office, Villagation 6, PO Box 5174, SE-102, 44, Stockholm, Sweden.

The company has taken the FRS 102 exemption to prepare a cash flow statement on the basis that it is a subsidiary undertaking where 90% or more acting rights are controlled within the group and consolidated financial statements incorporating the entity are publicly available.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is five years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	4% straight line
Fixtures, fittings & equipment	15% reducing balance
Computer equipment	3 years straight line
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of fixed assets

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

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

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.7 Stocks

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

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial instruments

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

##### **Other financial assets**

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

##### **Impairment of financial assets**

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

##### **Derecognition of financial assets**

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

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.



# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

#### **Derecognition of financial liabilities**

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

### 1.10 Equity instruments

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

### 1.11 Taxation

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

#### **Current tax**

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

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

### 1.12 Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.13 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

#### 1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.15 Foreign exchange

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

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Stock Provision

When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

#### Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

### 3 Turnover

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
<b>Turnover</b>		
Distribution of bearings and power transmission & linear motion products	27,348,296	25,598,119

#### Turnover analysed by geographical market

In the opinion of the directors the disclosure of the geographical split of turnover would be seriously prejudicial to the interests of the company.

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(54,106)	(56,797)
Depreciation of owned tangible fixed assets	76,314	74,298
Amortisation of intangible assets	34,962	34,956
Cost of stocks recognised as an expense	18,363,667	16,961,642
Operating lease charges	418,951	390,522

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £54,106 (2017 - £56,797).

### 5 Auditors' remuneration

	2018	2017
	£	£
Fees payable to the company's auditors:		
<b>For audit services</b>		
Audit of the financial statements of the company	25,000	29,500

### 6 Employees

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

	2018 Number	2017 Number
Production staff	24	20
Distribution staff	67	65
Administrative staff	24	24
	115	109

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	3,168,587	2,792,437
Social security costs	283,168	250,818
Other pension costs	73,357	55,263
	3,525,112	3,098,518

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	225,275	225,300

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

	2018 £	2017 £
Remuneration for qualifying services	100,000	100,000

### 8 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	8,229	10,048

### 9 Tax on profit

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current year	482,637	513,687

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	2,426,915	2,762,886
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	461,114	531,856
Tax effect of expenses that are not deductible in determining taxable profit	4,606	17,496
Change in unrecognised deferred tax assets	12,252	(268)
Effect of change in corporation tax rate	-	(731)
Depreciation on assets not qualifying for tax allowances	8,309	1,581
Other permanent differences	(3,521)	(34,323)
Effect of change in deferred tax rates	(123)	(1,924)
Total tax charge for the year	482,637	513,687

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Dividends

	2018 £	2017 £
Final declared (£nil per share (2017: £546.45 per share))	-	1,000,000

### 11 Goodwill

	Goodwill £
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	243,368
<b>Amortisation and impairment</b>	
At 1 January 2018	208,406
Amortisation charged for the year	34,962
At 31 December 2018	243,368
<b>Carrying amount</b>	
At 31 December 2018	-
At 31 December 2017	34,962

### 12 Tangible assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2018	-	750,967	659,580	25,000	1,435,547
Additions	195,212	37,516	20,442	16,623	269,793
At 31 December 2018	195,212	788,483	680,022	41,623	1,705,340
<b>Depreciation and impairment</b>					
At 1 January 2018	-	479,909	625,463	15,953	1,121,325
Depreciation charged in the year	1,008	45,876	23,215	6,215	76,314
At 31 December 2018	1,008	525,785	648,678	22,168	1,197,639
<b>Carrying amount</b>					
At 31 December 2018	194,204	262,698	31,344	19,455	507,701
At 31 December 2017	-	271,058	34,117	9,047	314,222

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Stocks

	2018 £	2017 £
Finished goods and goods for resale	4,881,814	3,905,629

Included in stock is an amount totalling £582,977 in relation to provisions against old and slow moving stock (2017: £535,721).

### 14 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	5,933,262	5,926,264
Amounts owed by group undertakings	4,738,566	3,263,517
Prepayments and accrued income	138,928	104,542
	10,810,756	9,294,323

Amounts due from group companies are unsecured, interest free and repayable on demand.

Trade debtors includes a bad debt provision of £5,503 (2017: £6,672).

### 15 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	4,356,611	3,042,230
Amounts owed to group undertakings	200	-
Corporation tax	199,687	293,687
Other taxation and social security	149,393	269,785
Other creditors	10,000	70,000
Accruals and deferred income	7,136	32,884
	4,723,027	3,708,586

Amounts owed to group companies are unsecured, interest free and repayable on demand.

### 16 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	17	49,300	36,000
		49,300	36,000

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	<b>Liabilities 2018 £</b>	<b>Liabilities 2017 £</b>
<b>Balances:</b>		
Accelerated capital allowances	49,300	36,000
<b>Movements in the year:</b>		<b>2018 £</b>
Liability at 1 January 2018		36,000
Transfer		13,300
Liability at 31 December 2018		49,300

### 18 Retirement benefit schemes

	<b>2018 £</b>	<b>2017 £</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	73,357	55,263

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 19 Called up share capital

	<b>2018 £</b>	<b>2017 £</b>
<b>Ordinary share capital Issued and fully paid</b>		
100 (2017:100) Ordinary shares of £1 each	100	100
	100	100

### 20 Financial commitments, guarantees and contingent liabilities

The company has a bond with Handelsbanken in favour of HMRC totalling £4,000.

# ACORN INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 21 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	425,000	350,702
Between two and five years	1,010,000	963,380
In over five years	339,000	456,969
	<u>1,774,000</u>	<u>1,771,051</u>

### 22 Related party transactions

No guarantees have been given or received.

The company has taken advantage of the provision available in FRS 102 exempting disclosure of related party transactions with and between wholly-owned group companies.

During the year, the company occupied properties owned by the directors' pension scheme and paid rent on a commercial basis of £182,000 (2017: £182,000).

### 23 Controlling party

The company is controlled by Acorn Industrial Services Group Limited, a company registered in England and Wales.

The ultimate controlling party is Axel Johnson International AB, a company registered in Sweden.

Acorn Industrial Services Group Limited prepares group financial statements, which is the smallest group to consolidate these financial statements and copies can be obtained from the Company Secretary at Unit A, Denby Way, Hellaby Industrial Estate, Rotherham, South Yorkshire, S66 8HR.

Acorn Industrial Services Group Limited is controlled by Axel Johnson International AB by virtue of that company holding 100% of the share capital in Acorn Industrial Services Group Limited.

Axel Johnson International AB prepares group financial statements, which is the largest group to consolidate these financial statements and copies can be obtained from the Company Secretary at Axel Johnson International AB, Villagatan 6, PO Box 5174, SE-102, 44, Stockholm, Sweden.