

STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020
FOR
A C STEELS LTD

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FOR THE YEAR ENDED 31ST DECEMBER 2020

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A C STEELS LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2020

DIRECTORS:

P Price
C Price
R Price

REGISTERED OFFICE:

International House
Fryers Road
Bloxwich
Walsall
WS2 7LY

REGISTERED NUMBER:

06759649 (England and Wales)

AUDITORS:

Howards Limited
Chartered Certified Accountants
Statutory Auditors
Newport House
Newport Road
Stafford
Staffordshire
ST16 1DA

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2020

The directors present their strategic report for the year ended 31st December 2020.

The principal activities of the company during the period were that of manufacturer, distributor and stockholder of steel products.

REVIEW OF BUSINESS

The directors consider the underlying trading results for the period, which includes the periods of lockdown introduced as a response to the Covid-19 pandemic, to be a good result which demonstrates the strength of the business and its management and employees. The stated results report a profit before taxation of £449,790 and the net assets at the balance sheet date were £3,061,238 which shows the company is in a good financial position to address the challenges to be faced as we emerge from the measures introduced to control the Covid-19 pandemic and the general economic climate.

PRINCIPAL RISKS AND UNCERTAINTIES

Management continues to monitor risks to ensure that overall business risk remains within acceptable levels. The principal risks and uncertainties are external market risks arising from global commodity price movements and activity within the steel industry supply chain.

Customer and credit risk

The company supplies a range of markets and customers in order to avoid reliance on a single customer and the associated risks. The company uses credit insurance with agreed credit limits to minimise its exposure to credit risk.

Supplier and product risk

The company uses a relatively small number of steel suppliers in order to maintain a reliable supply of products in the quantities required. There are a large number of suppliers available to minimise the risk of product supply.

Liquidity risk

The company forecasts its future cash flows on a daily basis and ensures it has sufficient reserves and facilities to meet all its obligations.

Interest rate risk

The company maintains close relationships with its bankers and finance providers in order to ensure the interest rate risk is managed effectively.

Foreign currency risk

The company has purchases of steel in foreign currencies and due to the relatively small number of transactions the directors do not consider the company is exposed to a significant risk from currency exchange fluctuations.

Commodity price risk

Steel is a globally traded commodity and therefore subject to price fluctuations, the company manages this risk through forward pricing options.

Covid-19 pandemic risk

The company was able to continue trading throughout the period and implemented various safeguarding measures to minimise the risk of disruptions to its business. Whilst this has been a difficult period the directors have and management have restructured the trading operations in order to mitigate this risk as effectively as possible and to ensure the company is in a strong position as we emerge from the pandemic and the lockdown measures in 2021.

Brexit risk

As the UK entered a new relationship with the EU in January 2021 some disruption in the supply chain has been encountered in sourcing steel products for processing. The company regularly forecasts the supply and demand for steel products and adjusts stock and ordering levels accordingly. The company has strong relationships with its suppliers and is confident that they are well placed to increase stockholding if required.

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2020

KEY PERFORMANCE INDICATORS

The directors consider the following to be the key performance indicators:

Turnover has decreased to £20,792,858 from £22,105,476 in 2019 as a result of the Covid-19 pandemic and the associated reduction in customer orders during the lockdown periods. During the latter part of 2020 there was a clear increase in customer demand across the product range.

Gross profit has increased to £3,764,353 from £3,184,252 in 2019 as a result of the accounting estimate adjustments made in 2019..

Profit before tax has increased to £449,790 from a loss of £604,403 in 2019 as a result of the accounting estimate adjustments made in 2019.

The underlying profits of the company continue to be strong in the current year.

ON BEHALF OF THE BOARD:

P Price - Director

12th March 2021

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2020

The directors present their report with the financial statements of the company for the year ended 31st December 2020.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2020.

FUTURE DEVELOPMENTS

The directors expect the results for the year ended 31 December 2021 to see another year on year improvement despite the continuing effects of the Covid-19 pandemic. This is due to an increase in the number of customers and the products and services being offered.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2020 to the date of this report.

P Price

C Price

R Price

COVID 19

Following the trade deal announced late in December a positive start to 2021 was anticipated and, despite the implementation of new customs requirements and the delays this has caused at incoming UK ports, this has been borne out in the results for January and February 2021 together with record forward orders for March and April 2021.

The Coronavirus Pandemic continues to affect our business activities to an extent, it is not possible to meet with customers or to travel for business purposes, however alternative arrangements have been made to ensure the disruption caused is minimal. The market is currently buoyant with strong customer demand and orders for the coming months and with new opportunities to grow in customer numbers and volumes during 2021 and beyond.

In summary the outlook for 2021 is a positive one, nevertheless close monitoring of payments, optimised stock values, improved product availability and customers financial performance, coupled with the necessary easing of Coronavirus restrictions and an improved exchange rate expectancy (GBP/Euro) will contribute to a sustained growth in volume and strong profit performance.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2020**

AUDITORS

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

ON BEHALF OF THE BOARD:

P Price - Director

12th March 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A C STEELS LTD

Opinion

We have audited the financial statements of A C Steels Ltd (the 'company') for the year ended 31st December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 31st December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 director's 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 entity'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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A C STEELS LTD

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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.

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 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.

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.

As part of our planning process:

- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: FRS 102, Companies Act 2006 & the Health and Safety act 1974.
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the company, together with the discussions held with the company at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, in particular in relation to doubtful debt provisions, inventory valuations & depreciation methods.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Testing key revenue lines, in particular cut-off, for evidence of management bias.
- Performing a physical verification of key assets and stock items (including testing of the stock system).
- Obtaining third-party confirmation of material bank and loan balances.
- Documenting and verifying all significant related party balances and transactions.
- Reviewing documentation such as the company board minutes, correspondence with solicitors, for discussions of irregularities including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A C STEELS LTD

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.

Matthew Adam Bailey (Senior Statutory Auditor)
for and on behalf of Howards Limited
Chartered Certified Accountants
Statutory Auditors
Newport House
Newport Road
Stafford
Staffordshire
ST16 1DA

12th March 2021

INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	2020 £	£	2019 £	£
TURNOVER	3		20,792,858		22,105,476
Cost of sales			17,151,922		18,921,234
GROSS PROFIT			3,640,936		3,184,242
Distribution costs		1,270,549		1,577,978	
Administrative expenses		2,014,359		2,027,755	
			3,284,908		3,605,733
			356,028		(421,491)
Other operating income			330,604		78,490
OPERATING PROFIT/(LOSS)	5		686,632		(343,001)
Interest payable and similar expenses	6		236,842		261,402
PROFIT/(LOSS) BEFORE TAXATION			449,790		(604,403)
Tax on profit/(loss)	7		93,782		(106,822)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			356,008		(497,581)

The notes form part of these financial statements

A C STEELS LTD (REGISTERED NUMBER: 06759649)

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	2020 £	2019 £
PROFIT/(LOSS) FOR THE YEAR		356,008	(497,581)
OTHER COMPREHENSIVE INCOME			
Property revaluation		-	362,707
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		-	362,707
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>356,008</u>	<u>(134,874)</u>

The notes form part of these financial statements

A C STEELS LTD (REGISTERED NUMBER: 06759649)**BALANCE SHEET**
31ST DECEMBER 2020

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Tangible assets	8		4,012,548		3,630,803
CURRENT ASSETS					
Stocks	9	5,616,498		5,889,438	
Debtors	10	7,939,736		8,030,676	
Cash at bank		172,783		22,873	
		<u>13,729,017</u>		<u>13,942,987</u>	
CREDITORS					
Amounts falling due within one year	11	<u>11,753,299</u>		<u>13,531,851</u>	
NET CURRENT ASSETS			<u>1,975,718</u>		<u>411,136</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,988,266		4,041,939
CREDITORS					
Amounts falling due after more than one year	12		(2,785,548)		(1,889,011)
PROVISIONS FOR LIABILITIES	16		(141,480)		(47,698)
NET ASSETS			<u>3,061,238</u>		<u>2,105,230</u>
CAPITAL AND RESERVES					
Called up share capital	17		600,100		100
Revaluation reserve	18		934,707		934,707
Retained earnings	18		1,526,431		1,170,423
SHAREHOLDERS' FUNDS			<u>3,061,238</u>		<u>2,105,230</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12th March 2021 and were signed on its behalf by:

P Price - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1st January 2019	100	1,668,004	572,000	2,240,104
Changes in equity				
Total comprehensive income	-	(497,581)	362,707	(134,874)
Balance at 31st December 2019	100	1,170,423	934,707	2,105,230
Changes in equity				
Issue of share capital	600,000	-	-	600,000
Total comprehensive income	-	356,008	-	356,008
Balance at 31st December 2020	600,100	1,526,431	934,707	3,061,238

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	(1,120,920)	1,093,314
Interest paid		(226,062)	(260,380)
Interest element of hire purchase payments paid		(10,780)	(1,022)
Tax paid		-	(364,885)
Net cash from operating activities		<u>(1,357,762)</u>	<u>467,027</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		<u>(441,744)</u>	<u>(241,210)</u>
Net cash from investing activities		<u>(441,744)</u>	<u>(241,210)</u>
Cash flows from financing activities			
New loans in year		750,000	-
Capital repayments in year		327,035	(3,382)
Amount introduced by directors		687,878	82,740
Amount withdrawn by directors		(415,497)	(365,060)
Share issue		600,000	-
Net cash from financing activities		<u>1,949,416</u>	<u>(285,702)</u>
Increase/(decrease) in cash and cash equivalents		<u>149,910</u>	<u>(59,885)</u>
Cash and cash equivalents at beginning of year	2	22,873	82,758
Cash and cash equivalents at end of year	2	<u>172,783</u>	<u>22,873</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020**

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Profit/(loss) before taxation	449,790	(604,403)
Depreciation charges	60,000	96,000
Government grants	(1,200)	(1,200)
Finance costs	236,842	261,402
	<u>745,432</u>	<u>(248,201)</u>
Decrease/(increase) in stocks	272,940	(133,275)
Increase in trade and other debtors	(100,479)	(1,131,874)
(Decrease)/increase in trade and other creditors	(2,038,813)	2,606,664
Cash generated from operations	<u>(1,120,920)</u>	<u>1,093,314</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31st December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	<u>172,783</u>	<u>22,873</u>

Year ended 31st December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>22,873</u>	<u>82,758</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.20	Cash flow	At 31.12.20
	£	£	£
Net cash			
Cash at bank	22,873	149,910	172,783
	<u>22,873</u>	<u>149,910</u>	<u>172,783</u>
Debt			
Finance leases	(31,399)	(370,901)	(402,300)
Debts falling due within 1 year	(108,573)	(97,403)	(205,976)
Debts falling due after 1 year	(1,814,604)	(607,532)	(2,422,136)
	<u>(1,954,576)</u>	<u>(1,075,836)</u>	<u>(3,030,412)</u>
Total	<u>(1,931,703)</u>	<u>(925,926)</u>	<u>(2,857,629)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

1. STATUTORY INFORMATION

A C Steels Ltd 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.

The presentation currency of the financial statements is the Pound Sterling (£).

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.

Significant judgements and estimates

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the company; it may later be determined that a different choice would have been more appropriate. Management considers that certain accounting estimates and assumptions relating to revenue, taxation, tangible fixed assets, provisions and contingent liabilities and accruals are its critical accounting estimates.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Plant and machinery	- 10% on cost
Fixtures and fittings	- 20% on cost

Tangible assets are initially stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use. Freehold land and buildings have been revalued, freehold land is not depreciated and the residual value of the buildings are considered to be at least the same as the revalued amount and, therefore, have not been depreciated.

Government grants

Government grants, which include amounts received from local authority grants and amounts received under the Coronavirus job retention scheme, are recognised at the fair value of the grant received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. The income is recognised in other income in the period in which the grant becomes receivable or a systematic basis over the periods in which the associated costs are incurred, using the accrual model.

Stocks

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

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

2. ACCOUNTING POLICIES - continued

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, 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

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value, like goodwill and tangible fixed assets, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Inventories are also assessed for impairment at each reporting date. The carrying amount of each item of inventory, or group of similar items, is compared with its selling price less costs to complete and sell. If an item of inventory or group of similar items is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the company will be able to continue to trade. During the financial year the company had to work through the disruption and challenges caused by the Covid 19 pandemic involving its employees, customers, suppliers and competitors. As the country moves out of the lockdown measures and in accordance with the Government's instructions there is growing confidence in the marketplace and the company is well positioned to ensure it has the ability to meet the demands of its customers with its strong supply chain relationships.

The effects of the transition process involving the UK and EU trading relationship on the company has not been as significant as predicted and the company continues to build on its good relationships with its EU suppliers.

3. TURNOVER

The turnover and profit (2019 - loss) before taxation are attributable to the one principal activity of the company.

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

	2020	2019
	£	£
Sale of goods	<u>20,792,858</u>	<u>22,105,476</u>
	<u>20,792,858</u>	<u>22,105,476</u>

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	<u>20,792,858</u>	<u>22,105,476</u>
	<u>20,792,858</u>	<u>22,105,476</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020****4. EMPLOYEES AND DIRECTORS**

	2020	2019
	£	£
Wages and salaries	2,007,678	1,679,475
Social security costs	174,794	152,128
Other pension costs	37,859	28,411
	<u>2,220,331</u>	<u>1,860,014</u>

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

	2020	2019
Production	43	40
Administration	21	21
Directors	3	3
	<u>67</u>	<u>64</u>

	2020	2019
	£	£
Directors' remuneration	214,103	199,344
Directors' pension contributions to money purchase schemes	<u>3,573</u>	<u>3,268</u>

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

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 31st December 2020 is as follows:

	2020
	£
Emoluments etc	114,000
Pension contributions to money purchase schemes	<u>1,314</u>

The directors' remuneration reflects the total compensation paid to key management personnel during the financial year.

5. OPERATING PROFIT/(LOSS)

The operating profit (2019 - operating loss) is stated after charging:

	2020	2019
	£	£
Hire of plant and machinery	177,546	298,378
Other operating leases	30,667	41,010
Depreciation - owned assets	59,999	96,000
Auditors' remuneration	<u>25,333</u>	<u>15,000</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£	£
Bank loan interest	31,723	55,422
Invoice finance interest	185,858	195,179
Loan	8,481	9,779
Hire purchase	<u>10,780</u>	<u>1,022</u>
	<u>236,842</u>	<u>261,402</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020

7. TAXATION

Analysis of the tax charge/(credit)

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

	2020 £	2019 £
Current tax:		
UK corporation tax	-	(106,822)
Deferred tax	<u>93,782</u>	<u>-</u>
Tax on profit/(loss)	<u>93,782</u>	<u>(106,822)</u>

UK corporation tax was charged at 19% in 2019.

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

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

	2020 £	2019 £
Profit/(loss) before tax	<u>449,790</u>	<u>(604,403)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	<u>85,460</u>	<u>(114,837)</u>
Effects of:		
Expenses not deductible for tax purposes	816	7,307
Capital allowances in excess of depreciation	(73,500)	(28,771)
Utilisation of tax losses	(12,776)	29,479
Deferred tax	<u>93,782</u>	<u>-</u>
Total tax charge/(credit)	<u>93,782</u>	<u>(106,822)</u>

Tax effects relating to effects of other comprehensive income

There were no tax effects for the year ended 31st December 2020.

	Gross £	2019 Tax £	Net £
Property revaluation	<u>362,707</u>	<u>-</u>	<u>362,707</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020

8. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST OR VALUATION				
At 1st January 2020	3,200,000	851,850	112,964	4,164,814
Additions	-	441,744	-	441,744
At 31st December 2020	<u>3,200,000</u>	<u>1,293,594</u>	<u>112,964</u>	<u>4,606,558</u>
DEPRECIATION				
At 1st January 2020	-	459,264	74,747	534,011
Charge for year	-	44,066	15,933	59,999
At 31st December 2020	<u>-</u>	<u>503,330</u>	<u>90,680</u>	<u>594,010</u>
NET BOOK VALUE				
At 31st December 2020	<u>3,200,000</u>	<u>790,264</u>	<u>22,284</u>	<u>4,012,548</u>
At 31st December 2019	<u>3,200,000</u>	<u>392,586</u>	<u>38,217</u>	<u>3,630,803</u>

Cost or valuation at 31st December 2020 is represented by:

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Totals £
Valuation in 2019	3,200,000	-	-	3,200,000
Cost	-	1,293,594	112,964	1,406,558
	<u>3,200,000</u>	<u>1,293,594</u>	<u>112,964</u>	<u>4,606,558</u>

9. STOCKS

	2020 £	2019 £
Raw materials	5,172,387	5,675,696
Work-in-progress	444,111	213,742
	<u>5,616,498</u>	<u>5,889,438</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	6,913,968	7,343,489
Other debtors	909,967	379,967
Directors' current accounts	-	191,419
Tax	106,822	106,822
Prepayments and accrued income	8,979	8,979
	<u>7,939,736</u>	<u>8,030,676</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020****11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Bank loans and overdrafts (see note 13)	186,367	102,054
Other loans (see note 13)	19,609	6,519
Hire purchase contracts (see note 14)	90,488	9,792
Trade creditors	5,607,969	7,635,835
Social security and other taxes	323,183	40,862
VAT	500,055	160,769
Other creditors	6,298	-
Invoice financing	4,884,768	5,554,820
Directors' current accounts	80,962	-
Accruals and deferred income	53,600	21,200
	11,753,299	13,531,851

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Bank loans (see note 13)	2,364,760	1,737,619
Other loans (see note 13)	57,376	76,985
Hire purchase contracts (see note 14)	311,812	21,607
Accruals and deferred income	51,600	52,800
	2,785,548	1,889,011

13. LOANS

An analysis of the maturity of loans is given below:

	2020	2019
	£	£
Amounts falling due within one year or on demand:		
Bank loans	186,367	102,054
Other loans	19,609	6,519
	205,976	108,573
Amounts falling due between one and two years:		
Bank loans - 1-2 years	214,466	95,741
Other loans - 1-2 years	22,016	19,609
	236,482	115,350
Amounts falling due between two and five years:		
Bank loans - 2-5 years	680,251	421,915
Other loans - 2-5 years	35,360	57,376
	715,611	479,291
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	1,470,043	1,219,963

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020**14. LEASING AGREEMENTS**

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Net obligations repayable:		
Within one year	90,488	9,792
Between one and five years	253,559	21,607
In more than five years	58,253	-
	<u>402,300</u>	<u>31,399</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2020 £	2019 £
Bank loans	2,551,127	1,839,673
Other loans	76,985	83,504
Hire purchase contracts	402,300	31,399
	<u>3,030,412</u>	<u>1,954,576</u>

The bank loans are secured by a legal charge on the freehold property.

The hire purchase contracts are secured against the associated assets.

The other loans are secured by a debenture against the company assets.

16. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Deferred tax	<u>141,480</u>	<u>47,698</u>
		Deferred tax
		£
Balance at 1st January 2020		47,698
Provided during year		93,782
Balance at 31st December 2020		<u>141,480</u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020	2019
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	100	100
600,000	Preference	£1	600,000	-
			<u>600,100</u>	<u>100</u>

600,000 Preference shares of £1 each were allotted and fully paid for cash at par during the year.

On a return of capital on a liquidation, sale or otherwise the holder of each preference share shall be entitled to a fixed amount of £1 for each share held.

The shares are not redeemable.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2020**18. RESERVES**

	Retained earnings £	Revaluation reserve £	Totals £
At 1st January 2020	1,170,423	934,707	2,105,130
Profit for the year	356,008		356,008
At 31st December 2020	<u>1,526,431</u>	<u>934,707</u>	<u>2,461,138</u>

19. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to a director subsisted during the years ended 31st December 2020 and 31st December 2019:

	2020 £	2019 £
P Price		
Balance outstanding at start of year	157,099	-
Amounts advanced	-	157,099
Amounts repaid	(157,099)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>157,099</u>

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