

**DAVRO STEEL LIMITED**  
**STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2019**

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FOR THE YEAR ENDED 31ST MARCH 2019**

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**DAVRO STEEL LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST MARCH 2019**

**DIRECTORS:**

R J Evans  
M C Noel  
C M Evans

**SECRETARIES:**

S A Evans  
J M Evans  
C D Evans

**REGISTERED OFFICE:**

Unit 9, Hayes Trading Estate  
Hingley Road  
Halesowen  
West Midlands  
B63 2RR

**REGISTERED NUMBER:**

00471310 (England and Wales)

**AUDITORS:**

Worton Rock Limited  
Chartered Accountants & Statutory Auditor  
Churchfield House  
36 Vicar Street  
Dudley  
West Midlands  
DY2 8RG

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31ST MARCH 2019**

The directors present their strategic report for the year ended 31st March 2019.

**REVIEW OF BUSINESS**

The directors are pleased to present the review of the business for the year ended 31st March 2019 and of the position of the company at the end of the year. The intention is to portray a balanced and comprehensive summary of the development and performance of the company consistent with the size and relatively uncomplicated nature of the business against the background of any risks and uncertainties that may exist. In doing so, the directors have taken into account only such facts and circumstances of which they are aware at the date of this report.

There has been no change in the principal activity and, following the move to Halesowen, sales have continued to increase, as a result of volume increases of 2% and price increases of 8%. The increase in capacity continues to enable Davro to widen its customer base.

The company operates out of its main site in Halesowen.

**PERFORMANCE**

The key objective of the company is to achieve growth in turnover and operating profit, through focus on Gross Margin expansion and improved cost control. The company is committed to delivering the highest standards of customer service and to continuous improvement in all aspects of the business.

The key financial performance indicators of the company are turnover and operating profit.

	2019	2018
Turnover	83,007,852	74,937,489
Operating profit	427,604	1,942,052

The operating profit of £1,942,052 recorded in 2018 includes the profit on the sale of the Bridgnorth site of £852,979.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The main risks and uncertainties for the business relate to the volatility of material prices.

The company undertakes regular reviews of the principle risks facing the business and, wherever possible, processes are put in place to monitor and minimise such risks.

**BREXIT**

It is not expected that Brexit will have a significant impact on the ability of Davro to draw supplies from its main supply base in the EU. However the Directors acknowledge the potential for delays caused by extra administration at the borders. Negotiations with all suppliers continue on an order by order basis. The weakening of Sterling has impacted margins. Following the referendum result, Davro has also taken to hedging against currency risk by forward purchasing against the currency exposure where applicable.

**ON BEHALF OF THE BOARD:**



M C Noel - Director

31st July 2019

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31ST MARCH 2019**

The directors present their report with the financial statements of the company for the year ended 31st March 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of metal processing and steel stockholding.

**DIVIDENDS**

A dividend of £4 per share has been paid on the 'A' Ordinary shares and the Ordinary shares.

**FUTURE DEVELOPMENTS**

The directors remain optimistic about the future prospects of the company.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1st April 2018 to the date of this report.

R J Evans  
M C Noel  
C M Evans

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31ST MARCH 2019**

**FINANCIAL INSTRUMENTS**

**Financial risk factors**

The Company is exposed to a variety of financial risks and undertakes regular reviews to identify such risks and wherever possible put processes in place to mitigate such risks.

**Interest rate risk factors**

The Company's liabilities include Invoice Financing at 1.65% above Base Rate. The company considers that the current Interest rate risk is adequately covered through operating profit without resorting to any financial instruments.

**Foreign currency risk**

The Company has limited exposure to foreign exchange rate fluctuations, as the majority of high value transactions are conducted in Sterling.

The company enters into forward foreign exchange contracts in order to mitigate any foreign exchange rate fluctuations.

**Price risk**

The company may be exposed to price risk arising from decreases in prices. This is a combination of currency risk, price risk and market risks. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

**Credit risk**

The Company manages credit risk to customers by selecting and working with credit worthy customers and having close control and follow up of payment terms. The Company has a number of long-term trading relationships and contracts in place with a number of key customers and suppliers. Adequate credit insurance arrangements are also entered into in respect of the majority of Trade Debtors.

**Liquidity risk**

Liquidity risk arises from the Company's management of working capital and the finance charges on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company prepares rolling monthly cash flow forecasts. Actual cash and debt positions along with available facilities and headroom are reported daily. Monthly targets are set regarding debtors and creditors. The financial statements have been prepared using the going concern basis as the financial forecasts support the assumption that the company will be able to meet its obligations when they fall due.

**Other risks**

The company maintains appropriate insurance cover for its critical business resource, for Business Interruption and associated events and has a robust Business Continuity Plan to deal with the consequences of such contingencies.

**POLICY ON PAYMENT OF CREDITORS**

The company agrees payment terms with suppliers at the time they enter into binding purchase contracts for the supply of goods and services. The company seek to abide by these payment terms whenever they are satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

**DISCLOSURE IN THE STRATEGIC REPORT**

Information with respect to the business review, performance and principal risks are disclosed within the strategic review as opposed to the directors report in accordance with S414C(11).

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31ST MARCH 2019**

**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;
- state whether applicable accounting standards 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 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, Worton Rock Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



M C Noel - Director

31st July 2019

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DAVRO STEEL LIMITED**

### **Opinion**

We have audited the financial statements of Davro Steel Limited (the 'company') for the year ended 31st March 2019 which comprise the Statement of 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 March 2019 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**

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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.



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DAVRO STEEL LIMITED**

### **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 five, 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 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.

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](http://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.



David Burrows (Senior Statutory Auditor)  
for and on behalf of Worton Rock Limited  
Chartered Accountants & Statutory Auditor  
Churchfield House  
36 Vicar Street  
Dudley  
West Midlands  
DY2 8RG

31st July 2019

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH 2019**

	Notes	2019 £	2018 £
<b>TURNOVER</b>	3	83,007,852	74,937,489
Cost of sales		<u>78,649,528</u>	<u>70,033,254</u>
<b>GROSS PROFIT</b>		4,358,324	4,904,235
Distribution costs		1,478,969	1,371,794
Administrative expenses		<u>2,491,225</u>	<u>1,637,300</u>
		3,970,194	3,009,094
		388,130	1,895,141
Other operating income		<u>39,474</u>	<u>46,911</u>
<b>OPERATING PROFIT</b>	5	427,604	1,942,052
Interest payable and similar expenses	6	<u>206,772</u>	<u>203,629</u>
<b>PROFIT BEFORE TAXATION</b>		220,832	1,738,423
Tax on profit	7	<u>53,782</u>	<u>294,854</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		167,050	1,443,569
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>167,050</u></u>	<u><u>1,443,569</u></u>

The notes form part of these financial statements

**DAVRO STEEL LIMITED (REGISTERED NUMBER: 00471310)**

**BALANCE SHEET  
31ST MARCH 2019**

	Notes	2019	2018
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	9	3,637,210	3,259,187
<b>CURRENT ASSETS</b>			
Stocks	10	11,331,485	6,960,841
Debtors	11	26,365,784	20,658,332
Cash at bank and in hand		709,893	2,645,990
		<u>38,407,162</u>	<u>30,265,163</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	35,789,108	27,288,812
<b>NET CURRENT ASSETS</b>		<u>2,618,054</u>	<u>2,976,351</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,255,264</u>	<u>6,235,538</u>
<b>PROVISIONS FOR LIABILITIES</b>	15	213,174	244,002
<b>NET ASSETS</b>		<u><u>6,042,090</u></u>	<u><u>5,991,536</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	29,124	29,124
Revaluation reserve	17	466,502	470,708
Retained earnings	17	5,546,464	5,491,704
<b>SHAREHOLDERS' FUNDS</b>		<u><u>6,042,090</u></u>	<u><u>5,991,536</u></u>

The financial statements were approved by the Board of Directors on 31st July 2019 and were signed on its behalf by:



M C Noel - Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST MARCH 2019**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Investment property revaluation reserve £	Total equity £
<b>Balance at 1st April 2017</b>	29,124	2,925,943	474,914	1,234,482	4,664,463
<b>Changes in equity</b>					
Dividends	-	(116,496)	-	-	(116,496)
Total comprehensive income	-	2,682,257	(4,206)	(1,234,482)	1,443,569
<b>Balance at 31st March 2018</b>	29,124	5,491,704	470,708	-	5,991,536
<b>Changes in equity</b>					
Dividends	-	(116,496)	-	-	(116,496)
Total comprehensive income	-	171,256	(4,206)	-	167,050
<b>Balance at 31st March 2019</b>	29,124	5,546,464	466,502	-	6,042,090

The notes form part of these financial statements

**DAVRO STEEL LIMITED (REGISTERED NUMBER: 00471310)**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST MARCH 2019**

	Notes	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(451,811)	555,926
Interest paid		(206,772)	(197,440)
Finance costs paid		-	(6,189)
Tax paid		(316,387)	(184,868)
Net cash from operating activities		<u>(974,970)</u>	<u>167,429</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(844,631)	(417,404)
Sale of investment property		-	2,127,979
Net cash from investing activities		<u>(844,631)</u>	<u>1,710,575</u>
<b>Cash flows from financing activities</b>			
Redemption of preference shares		-	(41,258)
Equity dividends paid		(116,496)	(118,559)
Net cash from financing activities		<u>(116,496)</u>	<u>(159,817)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(1,936,097)</u>	<u>1,718,187</u>
<b>Cash and cash equivalents at beginning of year</b>	2	2,645,990	927,803
<b>Cash and cash equivalents at end of year</b>	2	<u><u>709,893</u></u>	<u><u>2,645,990</u></u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST MARCH 2019**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019 £	2018 £
Profit before taxation	220,832	1,738,423
Depreciation charges	466,608	488,687
Profit on disposal of fixed assets	-	(852,979)
Finance costs	206,772	203,629
	<u>894,212</u>	<u>1,577,760</u>
Increase in stocks	(4,370,644)	(1,022,419)
Increase in trade and other debtors	(5,707,452)	(1,299,531)
Increase in trade and other creditors	8,732,073	1,300,116
	<u>8,732,073</u>	<u>1,300,116</u>
<b>Cash generated from operations</b>	<u><u>(451,811)</u></u>	<u><u>555,926</u></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 March 2019**

	31/3/19 £	1/4/18 £
Cash and cash equivalents	<u>709,893</u>	<u>2,645,990</u>

**Year ended 31st March 2018**

	31/3/18 £	1/4/17 £
Cash and cash equivalents	<u>2,645,990</u>	<u>927,803</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2019**

**1. STATUTORY INFORMATION**

Davro Steel 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.

The financial statements are presented in sterling which is the functional currency of the company and have been rounded to the nearest pound.

**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.

The financial statements have been prepared on a going concern basis based on the continued support of the company's bankers and debt factorers.

The preparation of financial statements in compliance with FRS102 require the use of certain critical accounting estimates.

**Significant judgements and estimates**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgement in applying the company's accounting policies**

The following are the critical judgement, apart from those involving estimation (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Valuation of stock**

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

Cost includes apportioned labour and overhead in bringing the stock to its present location and condition.

**Key sources of estimation and uncertainty**

**Provision for stock**

Stock is reviewed on an ongoing basis and provision is made where the directors are of an opinion that specific items are slow moving and requiring write down. As at the year end the directors have no material concerns over the recoverability of the company's stock balance in note 10.

**Estimation of property, plant and equipment of useful life**

The useful lives of the company's assets are determined by the directors at the time the asset is acquired and reviewed annually for appropriateness. Lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST MARCH 2019

2. ACCOUNTING POLICIES - continued

**Turnover**

Turnover comprises sales in the ordinary course of business to customers for goods supplied and services provided, net of trade discounts, value added tax and other sales-related taxes. Sales are recognised where there is persuasive evidence of a sales agreement, the delivery of goods has occurred, the sale price is fixed and determinable and the collectability of revenue is reasonably assured.

**Tangible fixed assets**

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

Freehold property	- 20% on cost and 2% on revaluation/nil on freehold land
Short leasehold	- Lease term
Plant and machinery	- 10% reducing balance/3-15 years on cost
Fixtures and fittings	- 33% on cost and 20% on reducing balance
Motor vehicles	- 25% on cost

**Freehold property**

The company has taken advantage of FRS102 transitional provision to retain the previous revaluation as deemed cost.

**Stocks**

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

Cost includes apportioned labour and overhead in bringing the stock to its present location and condition.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired it is reduced to its net realisable value and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

**Financial instruments**

The company enters into foreign exchange forward contracts to manage its exposure to currency movements.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss.

**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.

**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 MARCH 2019**

**2. ACCOUNTING POLICIES - continued**

**Cash and cash equivalents**

Cash and cash equivalents includes deposits held at call at banks.

**Debtors**

Short term debtors are measured at transaction price.

**Creditors**

Short term creditors are measured at transaction price.

**Taxation**

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to corporation taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Financial instruments**

Basic financial liabilities, including trade and other debtors, bank loans and loans 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 receipts discounted at a market rate of interest.

Financial asset and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate are classified as payable or receivable within one year are initially measured at an un-discounted amount of the cash or other consideration expected to be paid, net of impairment.

**Share capital**

Ordinary shares are classified as equity. Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

**Grants**

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants are accounted for under the accruals model. Grants relating to purchase of assets are treated as deferred income and allocated to profit and loss account over the useful lives of the related assets, while grants related to expenses are treated as other income in the profit and loss account.

**Income recognition**

Income is recognised when goods have been despatched to customers such that the risks and rewards of ownership have transferred to them.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST MARCH 2019

3. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019 £	2018 £
United Kingdom	81,385,791	73,422,186
Europe	1,622,061	1,515,303
	<u>83,007,852</u>	<u>74,937,489</u>

4. **EMPLOYEES AND DIRECTORS**

	2019 £	2018 £
Wages and salaries	2,040,034	1,916,341
Social security costs	218,320	203,827
Other pension costs	93,278	56,622
	<u>2,351,632</u>	<u>2,176,790</u>

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

	2019	2018
Production staff	36	37
Office and management	22	22
	<u>58</u>	<u>59</u>

	2019 £	2018 £
Directors' remuneration	157,277	131,346
Directors' pension contributions to money purchase schemes	33,555	21,478
	<u></u>	<u></u>

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

	2019	2018
Money purchase schemes	<u>3</u>	<u>2</u>

5. **OPERATING PROFIT**

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

	2019 £	2018 £
Depreciation - owned assets	466,608	488,687
Profit on disposal of fixed assets	-	(852,979)
Auditors' remuneration	16,743	19,759
Government grants	(23,500)	(23,500)
	<u></u>	<u></u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST MARCH 2019**

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019 £	2018 £
Bank interest	206,772	197,440
Preference dividend	-	6,189
	<u>206,772</u>	<u>203,629</u>

**7. TAXATION****Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	84,610	316,386
Deferred tax	(30,828)	(21,532)
Tax on profit	<u>53,782</u>	<u>294,854</u>

UK corporation tax has been charged at 19%.

**Reconciliation of total tax charge 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:

	2019 £	2018 £
Profit before tax	<u>220,832</u>	<u>1,738,423</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	41,958	330,300
Effects of:		
Expenses not deductible for tax purposes	8,968	11,908
Capital allowances in excess of depreciation	(25,078)	(13,277)
Depreciation on assets not qualifying for capital allowances	27,934	23,009
Non taxable proportion of capital gain	-	(57,086)
Total tax charge	<u>53,782</u>	<u>294,854</u>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6th September 2016). These include reductions to the main rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

**8. DIVIDENDS**

	2019 £	2018 £
Ordinary shares of £1 each		
Interim	<u>116,496</u>	<u>116,496</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST MARCH 2019

9. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Plant and machinery £
<b>COST OR VALUATION</b>			
At 1st April 2018	792,655	1,007,920	3,823,809
Additions	74,356	29,725	733,773
At 31st March 2019	867,011	1,037,645	4,557,582
<b>DEPRECIATION</b>			
At 1st April 2018	81,606	283,307	2,083,187
Charge for year	42,265	118,424	281,999
At 31st March 2019	123,871	401,731	2,365,186
<b>NET BOOK VALUE</b>			
At 31st March 2019	743,140	635,914	2,192,396
At 31st March 2018	711,049	724,613	1,740,622
	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>			
At 1st April 2018	179,150	2,250	5,805,784
Additions	6,777	-	844,631
At 31st March 2019	185,927	2,250	6,650,415
<b>DEPRECIATION</b>			
At 1st April 2018	97,934	563	2,546,597
Charge for year	23,357	563	466,608
At 31st March 2019	121,291	1,126	3,013,205
<b>NET BOOK VALUE</b>			
At 31st March 2019	64,636	1,124	3,637,210
At 31st March 2018	81,216	1,687	3,259,187

Cost or valuation at 31st March 2019 is represented by:

	Freehold property £	Short leasehold £	Plant and machinery £
Valuation in 2009	600,000	-	-
Cost	267,011	1,037,645	4,557,582
	867,011	1,037,645	4,557,582

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST MARCH 2019

9. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2009	-	-	600,000
Cost	185,927	2,250	6,050,415
	<u>185,927</u>	<u>2,250</u>	<u>6,650,415</u>

If Freehold land and buildings had not been revalued they would have been included at the following historical cost:

	2019 £	2018 £
Cost	<u>418,709</u>	<u>344,352</u>
Aggregate depreciation	<u>83,557</u>	<u>45,498</u>
Value of land in freehold land and buildings	<u>20,000</u>	<u>20,000</u>

10. STOCKS

	2019 £	2018 £
Stocks	<u>11,331,485</u>	<u>6,960,841</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	25,565,866	19,787,293
Amounts owed by group undertakings	10,000	10,000
Other debtors	606,301	751,307
Prepayments	183,617	109,732
	<u>26,365,784</u>	<u>20,658,332</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	19,011,678	16,854,609
Tax	84,610	316,387
Social security and other taxes	1,062,351	1,287,230
Other creditors	31,715	13,071
Receivables financing account	15,162,503	8,381,342
Accrued expenses	436,251	436,173
	<u>35,789,108</u>	<u>27,288,812</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST MARCH 2019

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£	£
Within one year	308,701	329,543
Between one and five years	971,344	984,832
In more than five years	78,334	313,334
	<u>1,358,379</u>	<u>1,627,709</u>

14. SECURED DEBTS

The following secured debts are included within creditors:

	2019	2018
	£	£
Receivables financing account	<u>15,162,503</u>	<u>8,381,342</u>

The receivables financing account is secured by a fixed and floating charge over the assets of the company.

15. PROVISIONS FOR LIABILITIES

	2019	2018
	£	£
Deferred tax		
Capital allowances in excess of depreciation	<u>213,174</u>	<u>244,002</u>
		Deferred tax
		£
Balance at 1st April 2018		244,002
Credit to Statement of Comprehensive Income during year		<u>(30,828)</u>
Balance at 31st March 2019		<u>213,174</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£	£
14,562	Ordinary	£1	14,562	14,562
14,562	'A' ordinary	£1	14,562	14,562
			<u>29,124</u>	<u>29,124</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST MARCH 2019

16. CALLED UP SHARE CAPITAL - continued

**Ordinary shares**

Each share is entitled to one vote in any circumstances.

Each share is entitled pari pasu to dividend payments or any other distribution.

Each share is entitled pari pasu to participate in a distribution arising from a winding up of the company.

**'A' Ordinary shares**

Each share is entitled to one vote at any meeting of the A ordinary shareholders concerning the rights and liabilities of such A shareholders.

17. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1st April 2018	5,491,704	470,708	5,962,412
Profit for the year	167,050		167,050
Dividends	(116,496)		(116,496)
Transfer	4,206	(4,206)	-
At 31st March 2019	<u>5,546,464</u>	<u>466,502</u>	<u>6,012,966</u>

**Retained earnings**

The retained earnings represent cumulative profits and losses net of dividends and other adjustments.

**Revaluation reserve**

The revaluation reserve represents the cumulative effect of revaluations of property where a policy of revaluation has been adopted.

18. ULTIMATE PARENT COMPANY

Ricol Holdings Limited is regarded by the directors as being the company's ultimate parent company.

The registered office address of Ricol Holdings Limited is Unit 9, Hayes Trading Estate, Hingley Road, Halesowen, West Midlands, B63 2RR.

19. CAPITAL COMMITMENTS

	2019 £	2018 £
Contracted but not provided for in the financial statements	<u>1,214,777</u>	<u>-</u>

20. RELATED PARTY DISCLOSURES

During the year, total dividends of £11,036 (2018 - £11,036) were paid to the directors.

**Entities with control, joint control or significant influence over the entity**

	2019 £	2018 £
Management charges paid	240,000	240,000
Commissions paid	120,000	60,000
Amount due from parent company	<u>10,000</u>	<u>10,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST MARCH 2019**

**20. RELATED PARTY DISCLOSURES - continued**

**Entities over which the entity has control, joint control or significant influence**

	2019	2018
	£	£
Rent paid	36,720	36,720
Amount due from related party	<u>593,078</u>	<u>731,617</u>

Key management compensation for the year totalled £190,832 (2018 £152,824).

**21. POST BALANCE SHEET EVENTS**

Dividends of £58,248 were paid in April 2019.