

**STRATEGIC REPORT, DIRECTOR'S REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020
FOR
SPAW ENGINEERING LIMITED**

Magma Audit LLP
Chartered Accountants
Statutory Auditor
Unit 2, Charnwood Edge Business Park
Syston Road
Leicestershire
LE7 4UZ

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for the year ended 31 October 2020

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SPAW ENGINEERING LIMITED
COMPANY INFORMATION
for the year ended 31 October 2020

DIRECTOR: C R F Shield

SECRETARY: C R F Shield

REGISTERED OFFICE: 365 Fosse Way
Syston
Leicester
Leicestershire
LE7 1NL

REGISTERED NUMBER: 00852576 (England and Wales)

AUDITORS: Magma Audit LLP
Chartered Accountants
Statutory Auditor
Unit 2, Charnwood Edge Business Park
Syston Road
Leicestershire
LE7 4UZ

STRATEGIC REPORT
for the year ended 31 October 2020

The director presents his strategic report for the year ended 31 October 2020.

REVIEW OF BUSINESS

The business has performed well this year, despite some mixed volumes from its key customers as a result of the disruption associated with the global pandemic. Since February the volumes were heavily impacted by European and then UK lockdowns. The business reacted immediately to safeguard its staff as a priority and also protect its cash reserves. The management team have worked hard to adjust the facility and working practices to ensure the safety of the staff.

The business has continued production to support key customer lines whilst managing excess capacity with holidays and use of the Furlough support from the government. Despite these challenges a high level of operational performance combined with strict cost controls has allowed the company to achieve a reasonably positive year in the circumstances.

Forecasting is always difficult within our sector and this is especially true as the customers recover from the pandemic disruption but both short and medium term the volumes look strong.

At the time of writing the business levels are continuing to grow and the Board are pleased to see that the business is trading very positively.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties affecting the company annually are considered to relate to competition from overseas suppliers, global demand for our customer products and energy and raw material costs. The resolution of the Brexit position has removed one of the major risks to the business and it is hoped that this will prove positive long term. The company is well positioned to meet these challenges with a capable supply chain, strong workforce and management team and growing reserves to meet these challenges allowing continual investment into the future.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company's key performance indicators are as follows:

Sales

The accounts report a 30% decrease (2019: 2% increase) in the level of sales over the previous financial year.

Gross Margin

Gross margin for the year has decreased from 14% to 9%.

OTHER KEY PERFORMANCE INDICATORS

There are no significant non-financial key performance indicators which are relevant to understanding the position of the business.

ON BEHALF OF THE BOARD:

C R F Shield - Director

17 September 2021

DIRECTOR'S REPORT
for the year ended 31 October 2020

The director presents his report with the financial statements of the company for the year ended 31 October 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacture of other parts and accessories for motor vehicles.

DIVIDENDS

Interim dividends were paid amounting to Nil (2019: £100,000). The directors recommend that no final dividends will be paid.

DIRECTOR

C R F Shield held office during the whole of the period from 1 November 2019 to the date of this report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 director is 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 he 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.

AUDITORS

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

ON BEHALF OF THE BOARD:

C R F Shield - Director

17 September 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SPA ENGINEERING LIMITED

Opinion

We have audited the financial statements of Spaw Engineering Limited (the 'company') for the year ended 31 October 2020 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 31 October 2020 and of its loss 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 director is responsible for the other information. The other information comprises the information in the Strategic Report and the Director's Report, 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report 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 Director's Report.

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 director's 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 SPA ENGINEERING LIMITED

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page three, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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. 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.

Luke Turner ACA FCCA (Senior Statutory Auditor)
for and on behalf of Magma Audit LLP
Chartered Accountants
Statutory Auditor
Unit 2, Charnwood Edge Business Park
Syston Road
Leicestershire
LE7 4UZ

17 September 2021

**STATEMENT OF COMPREHENSIVE
INCOME**
for the year ended 31 October 2020

	Notes	2020 £	2019 £
TURNOVER	4	7,632,817	10,973,213
Cost of sales		<u>(6,959,985)</u>	<u>(9,399,574)</u>
GROSS PROFIT		672,832	1,573,639
Administrative expenses		<u>(971,920)</u>	<u>(969,048)</u>
		(299,088)	604,591
Other operating income	5	<u>155,455</u>	<u>9,422</u>
OPERATING (LOSS)/PROFIT	7	(143,633)	614,013
Interest payable and similar expenses	8	<u>(7,445)</u>	<u>(8,699)</u>
(LOSS)/PROFIT BEFORE TAXATION		(151,078)	605,314
Tax on (loss)/profit	9	<u>28,891</u>	<u>(118,016)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(122,187)	487,298
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(122,187)</u>	<u>487,298</u>

BALANCE SHEET
31 October 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	11	787,376	803,124
CURRENT ASSETS			
Stocks	12	652,575	548,004
Debtors	13	1,883,270	1,859,595
Cash at bank		680,638	977,287
		<u>3,216,483</u>	<u>3,384,886</u>
CREDITORS			
Amounts falling due within one year	14	(2,832,284)	(2,762,502)
NET CURRENT ASSETS		<u>384,199</u>	<u>622,384</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,171,575	1,425,508
CREDITORS			
Amounts falling due after more than one year	15	(19,500)	(152,101)
PROVISIONS FOR LIABILITIES	19	(27,350)	(26,495)
NET ASSETS		<u>1,124,725</u>	<u>1,246,912</u>
CAPITAL AND RESERVES			
Called up share capital	20	250	250
Capital redemption reserve	21	750	750
Retained earnings	21	1,123,725	1,245,912
SHAREHOLDERS' FUNDS		<u>1,124,725</u>	<u>1,246,912</u>

The financial statements were approved by the director and authorised for issue on 17 September 2021 and were signed by:

C R F Shield - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2020

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1 November 2018	250	858,614	750	859,614
Changes in equity				
Dividends	-	(100,000)	-	(100,000)
Total comprehensive income	-	487,298	-	487,298
Balance at 31 October 2019	<u>250</u>	<u>1,245,912</u>	<u>750</u>	<u>1,246,912</u>
Changes in equity				
Total comprehensive income	-	(122,187)	-	(122,187)
Balance at 31 October 2020	<u>250</u>	<u>1,123,725</u>	<u>750</u>	<u>1,124,725</u>

The notes form part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 October 2020

		2020	2019
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	147,913	1,182,481
Interest paid		-	(82)
Interest element of hire purchase payments paid		(7,445)	(8,617)
Tax paid		(112,544)	(49,014)
Net cash from operating activities		<u>27,924</u>	<u>1,124,768</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(145,229)	(205,848)
Sale of tangible fixed assets		28,496	-
Net cash from investing activities		<u>(116,733)</u>	<u>(205,848)</u>
Cash flows from financing activities			
Intercompany loan repayments		(1,750)	-
Capital repayments in year		(179,958)	(81,820)
Amount withdrawn by directors		(24,671)	-
Equity dividends paid		-	(100,000)
Net cash from financing activities		<u>(206,379)</u>	<u>(181,820)</u>
(Decrease)/increase in cash and cash equivalents		<u>(295,188)</u>	<u>737,100</u>
Cash and cash equivalents at beginning of year	2	975,604	238,504
Cash and cash equivalents at end of year	2	<u>680,416</u>	<u>975,604</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 October 2020

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

	2020	2019
	£	£
(Loss)/profit before taxation	(151,078)	605,314
Depreciation charges	136,871	126,987
Profit on disposal of fixed assets	(4,390)	-
Finance costs	7,445	8,699
	<u>(11,152)</u>	<u>741,000</u>
(Increase)/decrease in stocks	(104,571)	319,595
Decrease in trade and other debtors	30,805	541,741
Increase/(decrease) in trade and other creditors	232,831	(419,855)
Cash generated from operations	<u>147,913</u>	<u>1,182,481</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 31 October 2020

	31/10/20	1/11/19
	£	£
Cash and cash equivalents	680,638	977,287
Bank overdrafts	(222)	(1,683)
	<u>680,416</u>	<u>975,604</u>

Year ended 31 October 2019

	31/10/19	1/11/18
	£	£
Cash and cash equivalents	977,287	240,013
Bank overdrafts	(1,683)	(1,509)
	<u>975,604</u>	<u>238,504</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/11/19	Cash flow	At 31/10/20
	£	£	£
Net cash			
Cash at bank	977,287	(296,649)	680,638
Bank overdrafts	(1,683)	1,461	(222)
	<u>975,604</u>	<u>(295,188)</u>	<u>680,416</u>
Debt			
Finance leases	(333,608)	179,958	(153,650)
	<u>(333,608)</u>	<u>179,958</u>	<u>(153,650)</u>
Total	<u>641,996</u>	<u>(115,230)</u>	<u>526,766</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2020

1. STATUTORY INFORMATION

Spaw Engineering Limited is a limited company, registered in England and Wales. Its registered office address is 365 Fosse Way, Syston, Leicester, Leicestershire, England, LE7 1NL and its registered number is 00852576.

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.

The financial statements are prepared in sterling, which is the functional currency of the company.

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.

Going concern

The company had net positive current assets at the year end of £1.125m. The directors believe that it is appropriate to adopt the going concern basis in the preparation of the financial statements. 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 despite the global pandemic. The directors have prepared financial forecasts which incorporate the impact of COVID-19 as far as possible, including cashflow forecasts and an assessment of available associated company support. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts and is recognised when goods are dispatched.

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:

Plant & machinery	12.5% straight line
Fixtures & fittings	20-25% straight line

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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

2. ACCOUNTING POLICIES - continued

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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 balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors 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 unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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.

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.

Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

2. ACCOUNTING POLICIES - continued

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Hire purchase contracts

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

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits

Operating leases

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

3. CRITICAL ACCOUNTING 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual lives of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the assets and the tangible fixed asset accounting policy for the useful economic lives for each class of asset.

Stock provisioning

Slow moving stock provisions are based on estimates of the likely recoverable amounts.

4. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	7,455,467	10,785,454
Europe	8,609	21,934
Rest of World	168,741	165,825
	<u>7,632,817</u>	<u>10,973,213</u>

5. OTHER OPERATING INCOME

	2020	2019
	£	£
Rents received	3,740	-
Government grants	151,715	-
Insurance reclaim	-	9,422
	<u>155,455</u>	<u>9,422</u>

6. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	2,191,060	2,669,814
Social security costs	197,830	226,871
Other pension costs	42,389	42,506
	<u>2,431,279</u>	<u>2,939,191</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

6. EMPLOYEES AND DIRECTORS - continued

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

	2020	2019
Production	78	106
Administration	13	11
Management	1	1
	<u>92</u>	<u>118</u>

	2020	2019
	£	£
Director's remuneration	<u>62,976</u>	<u>48,000</u>

7. OPERATING (LOSS)/PROFIT

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

	2020	2019
	£	£
Depreciation - owned assets	35,535	25,651
Depreciation - assets on hire purchase contracts	101,336	101,336
Profit on disposal of fixed assets	(4,390)	-
Auditors' remuneration	8,240	9,250
Tax compliance charges	<u>1,500</u>	<u>1,500</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£	£
Bank overdraft interest	-	82
Hire purchase interest	7,445	8,617
	<u>7,445</u>	<u>8,699</u>

9. TAXATION**Analysis of the tax (credit)/charge**

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

	2020	2019
	£	£
Current tax:		
UK corporation tax	(29,746)	112,481
Adjustment to prior years	-	374
Total current tax	<u>(29,746)</u>	<u>112,855</u>
Deferred tax	855	5,161
Tax on (loss)/profit	<u>(28,891)</u>	<u>118,016</u>

UK corporation tax has been charged at 19% .

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

9. TAXATION - continued

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

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

	2020 £	2019 £
(Loss)/profit before tax	<u>(151,078)</u>	<u>605,314</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(28,705)	115,010
Effects of:		
Expenses not deductible for tax purposes	173	-
Capital allowances in excess of depreciation	(359)	-
Depreciation in excess of capital allowances	-	3,070
Utilisation of tax losses	-	(64)
Total tax (credit)/charge	<u>(28,891)</u>	<u>118,016</u>

10. DIVIDENDS

	2020 £	2019 £
Ordinary shares of £1 each		
Interim	<u>-</u>	<u>100,000</u>

11. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Totals £
COST			
At 1 November 2019	1,042,170	817,230	1,859,400
Additions	145,229	-	145,229
Disposals	(68,229)	-	(68,229)
At 31 October 2020	<u>1,119,170</u>	<u>817,230</u>	<u>1,936,400</u>
DEPRECIATION			
At 1 November 2019	271,439	784,837	1,056,276
Charge for year	123,525	13,346	136,871
Eliminated on disposal	(44,123)	-	(44,123)
At 31 October 2020	<u>350,841</u>	<u>798,183</u>	<u>1,149,024</u>
NET BOOK VALUE			
At 31 October 2020	<u>768,329</u>	<u>19,047</u>	<u>787,376</u>
At 31 October 2019	<u>770,731</u>	<u>32,393</u>	<u>803,124</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

11. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £
COST	
At 1 November 2019 and 31 October 2020	<u>808,470</u>
DEPRECIATION	
At 1 November 2019	158,555
Charge for year	<u>101,336</u>
At 31 October 2020	<u>259,891</u>
NET BOOK VALUE	
At 31 October 2020	<u>548,579</u>
At 31 October 2019	<u>649,915</u>

Obligations under finance leases and hire purchase contracts are secured upon the asset concerned. Finance lease payments represent rentals payable by the company for plant and machinery.

12. STOCKS

	2020 £	2019 £
Raw materials	521,289	322,375
Work-in-progress	<u>131,286</u>	<u>225,629</u>
	<u>652,575</u>	<u>548,004</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	1,049,082	1,266,623
Other debtors	-	8,423
Amounts owed by related party undertakings	710,000	510,000
Directors' current accounts	24,671	-
Tax	29,809	-
Prepayments and accrued income	<u>69,708</u>	<u>74,549</u>
	<u>1,883,270</u>	<u>1,859,595</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Bank loans and overdrafts (see note 16)	222	1,683
Hire purchase contracts (see note 17)	134,150	181,507
Trade creditors	1,471,804	1,121,903
Amounts owed to group undertakings	596,279	598,029
Tax	-	112,481
Social security and other taxes	358,544	351,818
Other creditors	966	341
Accruals and deferred income	<u>270,319</u>	<u>394,740</u>
	<u>2,832,284</u>	<u>2,762,502</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

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

	2020	2019
	£	£
Hire purchase contracts (see note 17)	<u>19,500</u>	<u>152,101</u>

16. LOANS

An analysis of the maturity of loans is given below:

	2020	2019
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>222</u>	<u>1,683</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2020	2019
	£	£
Net obligations repayable:		
Within one year	134,150	181,507
Between one and five years	<u>19,500</u>	<u>152,101</u>
	<u>153,650</u>	<u>333,608</u>
	Non-cancellable	operating leases
	2020	2019
	£	£
Within one year	150,000	140,000
Between one and five years	600,000	-
In more than five years	<u>150,000</u>	<u>-</u>
	<u>900,000</u>	<u>140,000</u>

Finance lease payments represent rentals payable by the company for certain tangible fixed assets. Leases include plant and machinery on which capital and interest is payable. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18. SECURED DEBTS

The following secured debts are included within creditors:

	2020	2019
	£	£
Bank overdrafts	222	1,683
Hire purchase contracts	<u>153,650</u>	<u>333,608</u>
	<u>153,872</u>	<u>335,291</u>

The hire purchase liabilities are secured on the assets concerned.

The bank overdraft is secured by a debenture over all assets of the company dated 10th of November 2009.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

19. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Deferred tax	<u>27,350</u>	<u>26,495</u>
		Deferred tax
		£
Balance at 1 November 2019		26,495
Charge to Statement of Comprehensive Income during year		855
Balance at 31 October 2020		<u>27,350</u>

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2020 £	2019 £
250	Ordinary	£1	<u>250</u>	<u>250</u>

Ordinary non-redeemable shares with the rights to vote, receive dividends and to share assets if the company is sold or wound up.

21. RESERVES

Retained earnings

Retained earnings includes all current and prior period retained profits and losses less dividends paid.

Capital redemption reserve

The capital redemption reserve comprises of the nominal value of shares purchased by the company.

22. PENSION COMMITMENTS

The company operates a defined contributions scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £42,389 (2019 - £42,506).

23. DIRECTOR'S ADVANCES, CREDITS AND GUARANTEES

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

	2020 £	2019 £
C R F Shield		
Balance outstanding at start of year	-	-
Amounts advanced	24,671	-
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>24,671</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 October 2020

24. **RELATED PARTY DISCLOSURES**

During the year the company had transactions with the following related companies, all ultimately controlled by C R F Shield.

	2020	2019
£		
Purchases from Adrem Enterprises Limited	(54,229)	(43,200)
Amounts due to Adrem Enterprises Limited	(596,279)	(600,000)
Sales to Woolley GMC Engineering Limited	5,637	5,007
Amounts due from Woolley GMC Engineering Limited	965	1,054
Amounts due from Shield Engineering (Syston) Limited	580,000	380,000
Amounts due from G W Atkins & Sons Limited	130,000	130,000
Purchases from Bridge Aluminium Limited	(2,008,055)	-
Amounts due from/(to) Bridge Aluminium Limited	(408,312)	-
Sales to Burrows & Smith Limited	115	-
Amounts due from/(to) Burrows & Smith Limited	138	-

During the year, a total of key management personnel compensation of £ 70,442 (2019 - £ 54,624) was paid.

25. **ULTIMATE CONTROLLING PARTY**

The company is controlled by Twingear Holdings Limited its ultimate parent company and Adrem Enterprises Limited its immediate parent company. All three companies are owned by C R F Shield.

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