

Pickerings Europe Limited

Annual report and financial statements

Registered number 03217853

31 December 2020



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Strategic report

Principal activities

The principal activity of the company is that of installation, service, repair and modernisation of lifts, loading systems and escalators.

Business review

Objectives of the company

The company's vision is to be "the lift, loading systems and escalator business everyone wants to work with" and our strategic intent is to be the leading independent lift, loading systems and escalator company in the UK. Our objective is to be the customers' number one choice in each market sector through the provision of an unrivalled offering, being customer focused and people development orientated.

Measurement

A range of financial and non financial Key Performance Indicators ('KPIs') are compiled and monitored to measure performance and these are reported both at board and other levels of management as required. These include a number of customer service, health and safety and employee related KPIs. The board considers that the company has an effective apparatus of systems and controls for the measurement and reporting of performance, consistent with its size and complexity.

Key measurements of financial performance used by the company are turnover and gross margin, which for the year under review were; turnover £34.8m (2019: £38.3m) and gross profit £10.3m (2019: £12.7m).

COVID 19

The world Health Organisation declared COVID 19 a global pandemic early in 2020 and much of the UK economy went into a period of lockdown towards the end of March, which has continued in the post year end period. The nature of the company's operations meant that we provided essential services and hence have been able to continue trading during this period. Whilst sales volumes have been some 10% lower than in 2019, the company utilised the Government's Coronavirus Job Retention Scheme to place a number of employees on furlough. The vast majority of these employees have now returned to work and demand from our customers has recovered. Management have put in place a number of additional safe working arrangements to deal with the specific circumstances of the pandemic in accordance with UK government guidance.

Risk and uncertainties

The company operates in a competitive market where its customers are focused on reducing prices and demanding higher levels of service. The principal ongoing objective of the company in this environment is continuing to meet or exceed customer service requirements.

The company has a broad range of customers which reduces its exposure to risks arising from loss of business. There is somewhat greater concentration in the company's supplier base but this is the result of management action to optimise costs.

Although the company cannot insulate itself completely from adverse movements in the economic cycle, it does benefit from the fact that it has a significant base of non-cyclical earnings within its maintenance business which means that it is well positioned to cope with adverse macroeconomic conditions.

Energy consumption

The company records energy and fuel use for all areas of the business, based on invoices received for fuel, gas, oil, electricity and natural gas. The methodology to define the scope and calculate the CO2 emissions was the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines; including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon dioxide emissions using published DEFRA emissions factors, which allow an activity to be converted into tonnes of carbon dioxide equivalent (tCO2e). Market based emissions factors have been taken from each of the company's relevant suppliers.

Overall energy consumption in 2020 was 6,062,268KWh, comprising:

Strategic report (continued)

Energy consumption (continued)

- Natural gas – 481,614KWh
- Electricity – 344,557KWh
- Direct transport – 5,236,097KWh

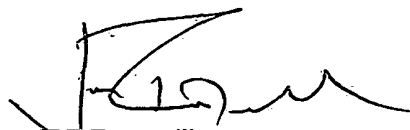
Overall CO2 emission were 1,429 tCO2e, comprising:

- Scope 1 (primarily combustion of fuels) – 1,348 tCO2e
- Scope 2 (electricity emission) – 48 tCO2e

The intensity ratio was calculated at 37.28 tCO2e/£m.

The company is actively promoting the use of sustainable energy throughout the business including an increasing provision of electric/hybrid vehicles across its fleet and conversion of LED lighting across its properties.

By order of the board



JDR Fothergill
Director

Globe Elevator Works
PO Box 19
Stockton-on-Tees
Cleveland
TS20 2AD

21 DECEMBER 2021

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend (2019: *£nil*). Other distributions comprise £2,026,000 (2019: £2,259,000) to the parent undertaking.

Directors

The directors who held office during the year and up to the date of signing this report were as follows:

JDR Fothergill
JKR Fothergill
P Brooks
GD Rains

Directors' duties

The directors recognise their duty to promote the success of the company and to act for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

As a leading independent lift, loading systems and escalator company we invest in new technology developments and professional people to meet and exceed the increasing requirements of all our stakeholders. The nature of the activities undertaken means that both the health and safety of our employees and the environment impact of our operations are central to the way the business operates within the community, and evidence of this is in the longevity of the company's existence for over 165 years. Our continued investment in infrastructure and quality personnel ensures we provide an unrivalled offering, being customer focused and people development orientated.

Code of business conduct

The group and company require that staff:

- Comply with the rules and regulations of Government and other applicable regulatory bodies and promptly report any activity that is believed to violate any laws, regulations, or standards of business ethics or conduct;
- Do not offer, pay or accept bribes;
- Respect the confidentiality of information acquired in the course of their work (except when authorised and legally obliged to disclose such information) and ensure such information is not used for personal advantage.

The environment

The group and company aim to minimise the environmental impact of its operations by complying with or exceeding its obligations under all relevant environmental legislation, considering full compliance to be the minimum acceptable level of performance. The group and company routinely assess the environmental impact of all its operations and aim to reduce (and eliminate wherever practicable) waste, the consumption of resources and pollution of the environment. The group and company is committed to the conservation of energy, water and natural resources through increased efficiency and the introduction of new technologies where practicable. It also minimises waste; recycling wherever possible and properly disposing of those wastes that cannot be recycled. The group and company commit sufficient staff and resources to ensure that these objectives are met and continuously monitors its progress.

Directors' report *(continued)*

Health and safety

The group and company recognises that safeguarding the health and safety of employees is integral to the success of its business and aims to create a working environment that assures this. Managing safety (through controlling risk and reducing losses arising from accidents, ill health and poorly planned work) benefits staff and their families, as well as customers and other stakeholders. The group and company also recognises and accepts its responsibilities towards contractors, visitors and other persons working on its premises and acknowledges and accepts all its legal responsibilities under health and safety-related law. The group and company recognises that to fulfil these commitments it must have a risk-informed and engaged workforce that accepts fully the health and safety responsibilities of their role within the business; in turn, the group and company is committed to providing leadership and the necessary resources in terms of facilities, equipment, training, expertise and time.

Employment

The group and company understands that its people are its most important resource and consequently strives to adopt human resource policies, practices and procedures that provide its employees with a good working environment, equitable compensation and benefits as well as the opportunity to be recognised on the basis of individual merit and develop their career in line with their ability and potential.

The group and company aim to:

- Employ the most capable individuals available for each position regardless of sex, sexual orientation, marital status, race, creed, colour, nationality, ethnic origin, religion, or age. Disabled persons are employed by the company when they appear to be suited to a particular position. The aptitude and abilities of disabled persons are more easily met in certain aspects of the company's business and every effort is made to ensure that they are given full and fair consideration;
- Maximise the potential of each individual through comprehensive personal development programmes so that both the individual and the company benefit;
- Develop and maintain an equitable pay structure;
- Provide an employee benefit package to help safeguard employees and their dependants in case of sickness, accident, disability or death;
- Provide all employees with a safe and healthy workplace;
- Ensure that any grievance or misunderstanding will be considered impartially, and every step taken to obtain a fair resolution;
- Ensure that (within the bounds of commercial confidentiality) information is disseminated to all employees about matters that affect the progress of the company and are of interest and concern to them as employees;
- Encourage and respect feedback and innovation from employees.

Suppliers and contractors

The group and company recognises that social, ethical and environmental governance of its supply chain is integral to its business success. As a consequence, the group and company expects its suppliers and contractors to ensure that they comply with all applicable laws and regulations, including those relating to bribery and corruption, fair employment practices, safety, health and the environment. Each supplier or contractor must agree that it is responsible for controlling its own supply chain and that it shall encourage compliance with ethical standards and human rights by any subsequent supplier of goods and services that they use when fulfilling their obligations to the company. In addition, the supplier or contractor must confirm that it adopts ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

Company secretary

S Angus

Directors' report *(continued)*

Employees

The company has continued to fulfil its obligations for safety, health and welfare at work and has given full and fair consideration to applications for employment made by disabled persons and honoured its obligation to disabled employees. The company continues to communicate with employees in all matters affecting short and long term policies.

Political contributions

The company made no political donations or incurred any political expenditure during the year (2019: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business has been included in the strategic report on page 1.

Strategic report

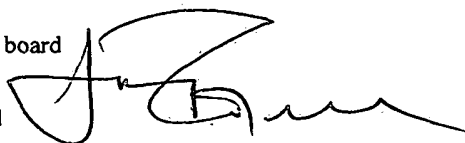
The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

By order of the board

JDR Fothergill
Director



Globe Elevator Works
PO Box 19
Stockton-on-Tees
Cleveland
TS20 2AD

21 DECEMBER 2021

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Pickerings Europe Limited

Opinion

We have audited the financial statements of Pickerings Europe Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, other comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Pickerings Europe Limited (continued)

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 directors' report.

We have nothing to report in respect of the following matters in relation to which 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 directors' responsibilities statement set out on page 6 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Independent auditor's report to the members of Pickerings Europe Limited (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

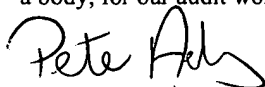
As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and the Coronavirus Job Retention Scheme. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors. In respect of the Coronavirus Job Retention Scheme, we have made enquiries of management and those charged with governance, as to whether the entity is in compliance with such laws and regulations and we have reviewed, on a sample basis the calculations used within preparation of monthly submissions and submissions to HMRC in the period.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in respect of the risk of management override of controls included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. Audit procedures performed on the risk of fraud in revenue recognition included but were not limited to checking that revenue was recorded in the correct period with reference to sales transactions recorded on either side of the year end.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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 an auditor's report 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.



Peter Adams (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Date: 21/12/21

Profit and loss account
for year ended 31 December 2020

		2020 £000	2019 £000
Turnover	2	34,801	38,319
Cost of sales		(24,527)	(25,572)
Gross profit		10,274	12,747
Administrative expenses	3-5	(8,806)	(9,352)
Other operating income	6	1,415	-
Operating profit		2,883	3,395
Interest receivable and similar income	7	-	27
Interest payable and similar expenses	8	(117)	(140)
Profit before taxation	2-8	2,766	3,282
Tax on profit	9	(603)	(638)
Profit for the financial year		2,163	2,644

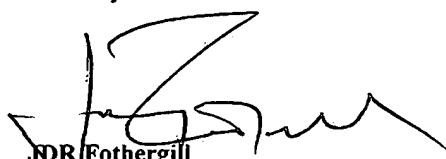
Other comprehensive income
for year ended 31 December 2020

	Note	2020 £000	2019 £000
Profit for the year		2,163	2,644
Other comprehensive income			
Remeasurement of the net defined benefit liability	16	821	246
Income tax on other comprehensive income	9	(65)	(35)
Other comprehensive income for the year, net of income tax		756	211
Total comprehensive income for the year		2,919	2,855

Balance sheet
at 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	2,054	2,140
Current assets			
Stocks	11	2,124	2,079
Debtors	12	32,292	32,474
Cash at bank and in hand	13	3,934	4,255
		<u>38,350</u>	<u>38,808</u>
Creditors: amounts falling due within one year	14	<u>(10,344)</u>	<u>(10,848)</u>
Net current assets		<u>28,006</u>	<u>27,960</u>
Total assets less current liabilities		<u>30,060</u>	<u>30,100</u>
Provisions for liabilities			
Pensions obligations	16	(3,706)	(4,639)
Net assets		<u>26,354</u>	<u>25,461</u>
Capital and reserves			
Called up share capital	17	1,351	1,351
Other reserves		150	150
Profit and loss account		24,853	23,960
Shareholders' funds		<u>26,354</u>	<u>25,461</u>

These financial statements were approved by the board of directors on 21/12/2021 and were signed on its behalf by:


JDR Fothergill
Director

Company registered number: 03217853

Statement of changes in equity

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	1,351	150	23,364	24,865
Total comprehensive expense for the period				
Profit for the year	-	-	2,644	2,644
Other comprehensive expense	-	-	211	211
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the period	-	-	2,855	2,855
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity				
Distributions	-	-	(2,259)	(2,259)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(2,259)	(2,259)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	1,351	150	23,960	25,461
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020	1,351	150	23,960	25,461
Total comprehensive income for the period				
Profit for the year	-	-	2,163	2,163
Other comprehensive expense	-	-	756	756
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the period	-	-	2,919	2,919
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity				
Distributions	-	-	(2,026)	(2,026)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(2,026)	(2,026)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	1,351	150	24,853	26,354
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Pickerings Europe Limited (the “company”) is a company limited by shares and incorporated, domiciled and registered in the UK.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company’s ultimate parent undertaking, Kiplun Limited, includes the company in its consolidated financial statements. The consolidated financial statements of Kiplun Limited are available to the public and may be obtained from Cleveland House, Norton Road, Stockton-on-Tees, Cleveland, TS20 2AQ or from Companies House. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Kiplun Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The company meets its day-to-day working capital requirements through existing cash reserves but is subject to cross guaranteed banking arrangements with other Group undertakings. The following analysis considers the position of the Group as a whole.

The Group meets its day-to-day working capital requirements through operating cash flows, cash reserves and overdraft facilities. The Group’s bank overdraft is a rolling facility which is due for renewal in August 2022, when the directors anticipate that this will continue under the same terms. At the year end the Group had cash at bank of £6.2m, and overdraft of £4.7m and property related bank term loans of £1.0m. The Group has no other external debt.

The Group’s trading and cash flow forecasts have been prepared for the period to 31 December 2022 and include actual results for the first 10 months of 2021, a period which includes the latest national lockdown as a result of the coronavirus pandemic. Throughout the pandemic the Group has continued to trade profitably and generate significant operating cashflow, benefitting from a diverse customer base which includes the NHS, large supermarkets chains and distribution operations. The Group cash position has remained very strong, with significant headroom against the Group facility throughout 2021, reflecting the profitable nature of operations together with actions taken to reduce costs in response to the pandemic.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

The Group forecasts and projections, which take into account the actual effect and impact of the Covid-19 outbreak and include reasonably possible scenarios for future impacts of the ongoing pandemic, show that the Group is expected to have a sufficient level of financial resources available to meet its liabilities as they fall due. On this basis the directors consider the Group remains in a solid financial position with sufficient liquidity to meet all foreseeable business scenarios.

After considering the above in detail, the directors consider and have concluded that the company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 5 years
- fixtures and fittings 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

Group plans

The company's employees are members of a group wide defined benefit pension plan. The company is the entity legally responsible for a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Pickerings Europe Limited.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Grant income

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognised criteria are satisfied is recognised as a liability.

Turnover

Turnover represents the amounts receivable in the ordinary course of business from the provision of goods and services to customers. Turnover is measured at the fair value of the right to consideration net of sales related rebates, discounts and value added tax.

The company recognises revenue at the point of despatch of goods or where applicable completion of installation. Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Turnover from service contracts, where services are performed by an indeterminate number of acts over a specified period of time, is recognised on a straight line basis over the period of the contracts.

Turnover is derived from the principal activity, wholly undertaken in the UK.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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.

2 Turnover

	2020 £000	2019 £000
Services	25,456	29,225
Product	9,345	9,094
	<u>34,801</u>	<u>38,319</u>

All turnover arises in the UK.

3 Operating profit and auditor's remuneration

Included in profit are the following:

	2020 £000	2019 £000
Impairment loss on inventories	42	249
Impairment loss on trade debtors	178	75
Depreciation of tangible fixed assets	145	295
Operating lease expenses	1,504	1,336
	<u>1,869</u>	<u>1,955</u>

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	35	31

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Kiplun Limited.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Directors	4	4
Service and installation	275	273
Administration	94	90
	<u>373</u>	<u>367</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	14,018	14,267
Social security costs	1,582	1,580
Contributions to defined contribution plans (note 16)	394	357
	<u>15,994</u>	<u>16,204</u>

5 Directors' remuneration

	2020	2019
	£000	£000
Directors' remuneration	1,367	1,563
Company contributions to defined contribution pension plans	9	9
	<u>1,376</u>	<u>1,572</u>

The aggregate of remuneration of the highest paid director was £1,051,000 (2019: £1,184,000). Although paid by another company in the Group, these costs are recharged to the company. He is a member of a defined benefit scheme, under which his accrued annual pension at the year end was £208,000 (2019: £260,000).

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	3	3
Defined benefit schemes	1	1
	<u>4</u>	<u>4</u>

6 Other operating income

	2020	2019
	£000	£000
Government grants – job retention scheme	1,415	-
	<u>1,415</u>	<u>-</u>

Notes (continued)

7 Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable on financial assets at amortised costs	-	27

8 Interest payable and similar expenses

	2020 £000	2019 £000
Net interest expense on net defined benefit liabilities	92	140
Net foreign exchange loss	25	-
Total interest payable and similar expenses	117	140

9 Taxation

Total tax expense recognised in the profit and loss account

	2020 £000	2020 £000	2019 £000	2019 £000
<i>Current tax – group relief</i>				
Consideration payable for group relief received	479		530	
Current tax on income for the period	-		26	
Adjustment in respect of prior periods	73		-	
Total current tax		552		556
<i>Deferred tax (note 17)</i>				
Origination and reversal of timing differences	151		82	
Change in tax rate	(106)		-	
Adjustments in respect of prior periods	6		-	
Total deferred tax		51		82
Total tax charge recognised in other comprehensive income		603		638

Tax charge recognised in other comprehensive income

	2020 £000	2019 £000
<i>Deferred tax (see note 15)</i>		
Origination and reversal of timing differences	65	35
Total tax charge recognised in other comprehensive income	65	35

Total tax expense

	2020 £000	2020 £000	2020 £000	2020 £000	2019 £000	2019 £000
	Current tax	Deferred tax	Total Tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	552	51	603	556	82	638
Recognised in other comprehensive income	-	65	65	-	35	35
Total tax expense	552	116	668	556	117	673

Notes (continued)

9 Taxation (continued)

	2020 £000	2019 £000
Reconciliation of effective tax rate		
Profit for the year	2,163	2,644
Total tax expense	603	638
Profit excluding taxation	2,766	3,282
Tax using the UK corporation tax rate of 19% (2019: 19%)	526	624
Non-deductible expenses	14	28
Effect of decreased tax rate on deferred tax assets	(106)	(14)
Current/deferred tax charged to other comprehensive income	90	-
Adjustments in respect of prior periods	79	-
Total tax expense included in profit or loss	603	638

Factors that may affect future current and total tax charges

In March 2021, the government announced an increase in the main rate of UK corporation tax to 25% for companies with profits in excess of £250,000. The rate of 19% will continue to apply to companies with profits under £50,000, with marginal relief for companies with profits between £50,000 and £250,000. As the proposed tax changes had not been substantially enacted by the reporting date, deferred tax balances as at 31 December 2020 have been measured at 19%, being the rate at which deferred tax assets and liabilities are expected to reverse, based on substantially enacted legislation.

The company has received UK corporation tax losses from group undertakings. The amount of tax saved for the company has been reflected in the tax charge and the remainder of the consideration payable for this group relief has been classed as distributions to fellow group undertakings.

The company has capital losses of £39,000 (2019: £39,000) available to offset future capital gains.

10 Tangible fixed assets

	Long leasehold land and buildings £000	Freehold land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost					
Balance at 1 January 2020	122	3,378	74	545	4,119
Additions	-	-	-	59	59
Disposals	-	-	(25)	(230)	(255)
Balance at 31 December 2020	122	3,378	49	374	3,923
Depreciation and impairment					
Balance at 1 January 2020	32	1,472	54	421	1,979
Depreciation charge for the year	2	70	9	64	145
On disposals	-	-	(25)	(230)	(255)
Balance at 31 December 2020	34	1,542	38	255	1,869
Net book value					
At 1 January 2020	90	1,906	20	124	2,140
At 31 December 2020	88	1,836	11	119	2,054

Notes (continued)

11 Stocks

	2020 £000	2019 £000
Raw materials and consumables	569	557
Work in progress	1,555	1,522
	<u>2,124</u>	<u>2,079</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £8,517,000 (2019: £8,797,000). The write-down of stocks to net realisable value amounted to £42,000 (2019: £249,000).

12 Debtors

	2020 £000	2019 £000
Trade debtors	8,214	8,120
Amounts owed by group undertakings	22,939	23,114
Deferred tax assets (see note 15)	787	903
Prepayments and accrued income	352	337
	<u>32,292</u>	<u>32,474</u>

The write down of trade debtors to net realisable value amounted to £178,000 (2019: 75,000).

13 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	<u>3,934</u>	<u>4,255</u>

14 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Payments received on account	2,283	3,159
Trade creditors	2,221	2,073
Amounts owed to group undertakings	2,073	2,072
Corporation tax payable	72	26
Taxation and social security	1,132	1,470
Other creditors	228	195
Accruals and deferred income	2,335	1,853
	<u>10,344</u>	<u>10,848</u>

Notes (continued)

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

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £000	2019 £000	Liabilities 2020 £000	2019 £000	Net 2020 £000	2019 £000
Accelerated capital allowances	83	102	-	-	83	102
Other	-	12	-	-	-	12
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets	83	114	-	-	83	114
Pensions	704	789	-	-	704	789
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	787	903	-	-	787	903
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The movement in deferred tax in the year is included in note 9.

16 Employee benefits

Defined benefit plan

The company operates a defined benefit pension scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities.

The information disclosed below is in respect of the whole of the plans for which the company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension liability

	2020 £000	2019 £000
Defined benefit obligation	(45,895)	(41,633)
Plan assets	42,189	36,994
	<hr/>	<hr/>
Net pension liability	(3,706)	(4,639)
	<hr/>	<hr/>

Movements in present value of defined benefit obligation

	2020 £000
At 1 January	(41,633)
Interest expense	(815)
Remeasurement: actuarial losses	(5,300)
Benefits paid	1,853
	<hr/>
At 31 December	(45,895)
	<hr/>

Notes (continued)

16 Employee benefits (continued)

Movements in fair value of plan assets

	2020 £000
At 1 January	36,994
Interest income	723
Remeasurement: return on plan assets less interest income	6,121
Contributions by employer	204
Benefits paid	(1,853)
At 31 December	42,189

Expense recognised in the profit and loss account

	2020 £000	2019 £000
Net interest on net defined benefit liability	(92)	(140)

Loss recognised directly in equity

	2020 £000	2019 £000
Gain on plan assets	6,121	5,484
Gain/(losses) on plan liabilities	76	(694)
Effects of changes in assumptions	(5,302)	(4,544)
Losses due to benefit changes	(74)	-
Total gain recognised directly in equity	821	246

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £000	2019 Fair value £000
Equities	36,131	32,800
Cash	861	244
Liability driven investments	5,197	3,950
	42,189	36,994
Actual return on plan assets	6,844	6,354

None of the fair values of the assets shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company.

Notes (continued)

16 Employee benefits (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2020 %	2019 %
Discount rate	1.3	2.0
Future salary increases	3.3	3.1
Inflation – RPI	3.1	2.9
Inflation – CPI	2.1	2.1

The last full actuarial valuation was performed on 5 April 2019.

In valuing the liabilities of the pension fund at 31 December 2020, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22 years (male), 24 years (female).
- Future retiree upon reaching 65: 23 years (male), 25 years (female).

Defined contribution plans

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £394,000 (2019: £357,000).

17 Capital and reserves

Share capital

	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
1,351,071 ordinary shares of £1 each	1,351	1,351

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Less than one year	1,089	1,137
Between one and five years	1,094	1,270
	2,183	2,407

During the year £1,504,000 was recognised as an expense in the profit and loss account in respect of operating leases (2019: £1,336,000).

Notes (continued)

19 Contingencies

The company, together with its parent and fellow subsidiary undertakings has entered into a composite banking arrangement to secure group interest and banking facilities. As part of this arrangement a cross guarantee was given to the bank by the company.

At the year end aggregate group borrowings guaranteed by the company amounted to £4,667,000 (2019: £6,918,000).

These facilities are secured against certain individual assets across various companies within the group.

20 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Read Limited, Cleveland House, Norton Road, Stockton-on-Tees, Cleveland, TS20 2AQ. The ultimate parent company is Kiplun Limited, Cleveland House, Norton Road, Stockton-on-Tees, Cleveland, TS20 2AQ. The ultimate controlling party is JDR Fothergill M.A., M.B.A., Chairman and Managing Director of Kiplun Limited.

The only group in which the results of the company are consolidated is that headed by Kiplun Limited. The consolidated financial statements of this group are available to the public and may be obtained from Cleveland House, Norton Road, Stockton-on-Tees, Cleveland, TS20 2AQ.

21 Accounting estimates and judgements

In the application of the company's accounting policies, which are described in note 1, 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 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.

Key sources of estimation uncertainty arise from:

Tangible fixed assets – estimated useful lives

Depreciation charges require the entity to estimate the useful economic lives of each part of tangible fixed assets. The depreciation method and useful lives are estimated based on the pattern by which the entity expects to consume an assets future economic benefits and are reviewed where there is an indication of significant change.

Impairment of stock

Determining whether stock is impaired requires an estimation of the selling price less costs to complete and sell. In determining the selling price less costs to complete and sell, the directors have taken into consideration historical sales transactions and their future intentions for the entity in terms of activity. The carrying amount of stock at the balance sheet date was £2,124,000 after an impairment loss of £42,000 was recognised during 2020.

Defined benefit pension liability

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Management engage independent, qualified actuaries to assist in this process and in turn assess the appropriateness of key actuarial assumptions. For example, in determining the appropriate discount rate, the interest rates of relevant corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation are considered. The mortality rate is based on publicly available mortality tables for the specific country. Future pension increases are based on expected future inflation rates for the respective country. See note 16 for further details.

Notes *(continued)*

Deferred tax

The extent to which deferred tax assets are recognised which arise due to historical trading losses which are expected to be utilised going forward. The factors taken into account are the expectations of the directors of trading results in future periods that indicate taxable profits based on forecasts and projections.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.