

Registered number: 02653692

Simms International Plc

Annual report and financial statements

For the Year Ended 31 December 2019

Simms International Plc

Company Information

Directors

A R Henderson
S J Henderson

Company secretary

C Beaumont

Registered number

02653692

Registered office

Montague Place
Quayside
Chatham Maritime
Chatham
Kent
ME4 4QU

Independent auditor

Kreston Reeves LLP
Statutory Auditor & Chartered Accountants
Montague Place
Quayside
Chatham Maritime
Chatham
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**Strategic Report
For the Year Ended 31 December 2019**

Introduction

The directors have pleasure in presenting their strategic report for the year ended 31 December 2019. The directors aim to present a balanced and comprehensive review of the development and performance of the Company's business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties that the Company faces.

Business review

The results for the year and financial position of the Company are as shown in the annexed financial statements.

The company continues to seek opportunities in line with its vision of enabling its customers to manage data through world class memory and storage solutions.

In 2019, the supply of both DRAM and NAND products largely outweighed the demand in the company's major markets. This dynamic, combined with specific market challenges in the first half of the year resulted in a year on year reduction in sales revenue of 11%. New customer channels and technology suppliers complementary to the company's existing business have been added during the year and these have helped the company to report an increase in gross profit, which at 12.5%, reflects a 2% increase over the previous year. Coupled with strict controls over operating expenditure, the company is reporting an operating profit up 31% over 2018.

The company has made further progress in bringing together an Executive Leadership Team to develop and evolve the company's strategic business plan. This team will guide the company towards a clear and concise strategy, monitor the performance of the company in line with the strategic business plan and provide governance for the conduct of the company's business.

Principal risks and uncertainties

The directors consider the principal risks faced by the Company to include the effect of COVID-19, liquidity risk, currency risk and credit risk as set out below. The directors seek to mitigate these risks through continual review and policy setting, which includes the use of financial instruments.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company finances its operations through a mixture of retained profits together with additional funding being by means of secured bank borrowings against trade debtors and directors' loan.

Currency risk

The Company seeks to minimise its exposure to fluctuations in exchange rates by taking out forward currency contracts to hedge against foreign currency denominated commitments. The Company's policy is to enter into forward currency contracts for all such commitments immediately those purchase commitments are made. At the year end all non-sterling purchase commitments were hedged by foreign currency contracts and currency balances held at bank.

Credit risk

The Company's principal financial assets are trade debtors. The credit risk arising from these balances is mitigated by strict credit management and insurance cover.

The Company's policy throughout the period has been to monitor exposure to each of these risks through the directors' and management's day to day control of the business.

Strategic Report (continued)
For the Year Ended 31 December 2019


Inventory risk

The company has policies and procedures for managing its inventory, within the resources available to it, in line with anticipated movements in market supply and demand.

Financial key performance indicators

The Company monitors financial key performance indicators to determine the progress and performance of the Company in relation to, inter alia, return on investment, working capital requirement, profitability, stock turn, debtor and creditor days and also non financial key performance indicators in customer spread, book to bill ratios, stock availability for next day delivery and stock returns.

This report was approved by the board **23 April 2020** and signed on its behalf.


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C Beaumont
Secretary

**Directors' Report
For the Year Ended 31 December 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £651,101 (2018: £471,027).

During the year dividends were paid amounting to £380,000 (2018: £300,000). No final dividends have been proposed by the Company.

Directors

The directors who served during the year were:

A R Henderson
S J Henderson

Engagement with employees

The directors recognise the important role played by the Company's employees in its past success and future development and are committed to providing an environment which will attract, motivate and reward high quality employees. Financial participation in the Company's growth and success is encouraged by means of bonuses and commission based salaries.

It is the policy of the directors to encourage the employment and training of disabled persons wherever appropriate and to evaluate all employees on the basis of merit.

Directors' Report (continued)
For the Year Ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


Post balance sheet events

As at 31 December 2019 China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (or COVID-19) only came to light in early 2020. Given the declaration of a pandemic, there are likely to be detrimental effects on business as a whole. A monetary estimate of these effects is unknown and unquantifiable given the uncertainty of subsequent regulations by worldwide governments.

Auditor

The auditor, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **23 April 2020** and signed on its behalf.



C Beaumont
Secretary

Independent auditor's report to the members of Simms International Plc

Opinion

We have audited the financial statements of Simms International Plc (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report 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.

Independent auditor's report to the members of Simms International Plc (continued)

We have nothing to report in this regard.

Opinion 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.

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 on page 3, 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.

Independent auditor's report to the members of Simms International Plc (continued)

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report to the members of Simms International Plc (continued)

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

Kreston Reeves LLP

Jonathan Timms BSc FCCA (Senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Statutory Auditor
Chartered Accountants

Chatham Maritime

Date: 28 April 2020

Simms International Plc

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	30,572,594	34,422,900
Cost of sales		(26,760,840)	(30,853,499)
Gross profit		3,811,754	3,569,401
Distribution costs		(1,235,388)	(1,173,663)
Administrative expenses		(1,692,546)	(1,726,428)
Operating profit	5	883,820	669,310
Interest payable and expenses	9	(61,378)	(63,025)
Profit before tax		822,442	606,285
Tax on profit	10	(171,341)	(135,258)
Profit for the financial year		651,101	471,027

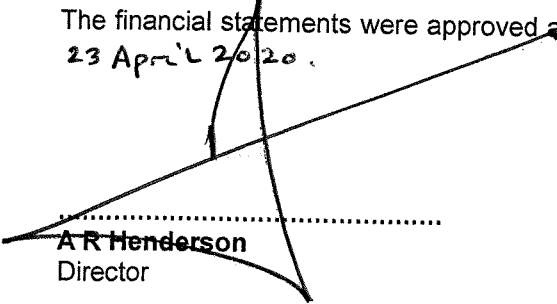
There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 12 to 25 form part of these financial statements.

Balance Sheet
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	441,254	493,680
Tangible assets	13	233,363	300,838
Investments	14	60,295	60,295
		<u>734,912</u>	<u>854,813</u>
Current assets			
Stocks	15	1,580,340	870,315
Debtors: amounts falling due within one year	16	5,123,002	7,518,811
Cash at bank and in hand	17	1,065,448	73,877
		<u>7,768,790</u>	<u>8,463,003</u>
Creditors: amounts falling due within one year	18	(5,387,662)	(6,457,121)
Net current assets		<u>2,381,128</u>	<u>2,005,882</u>
Total assets less current liabilities		<u>3,116,040</u>	<u>2,860,695</u>
Creditors: amounts falling due after more than one year	19	(560,295)	(560,295)
Provisions for liabilities			
Deferred tax	21	(34,148)	(49,904)
		<u>(34,148)</u>	<u>(49,904)</u>
Net assets		<u>2,521,597</u>	<u>2,250,496</u>
Capital and reserves			
Called up share capital	22	50,000	50,000
Capital redemption reserve	23	50,000	50,000
Profit and loss account	23	2,421,597	2,150,496
		<u>2,521,597</u>	<u>2,250,496</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
23 April 2020.


A R Henderson
Director

The notes on pages 12 to 25 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2019

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2018	50,000	50,000	1,979,469	2,079,469
Profit for the year	-	-	471,027	471,027
Dividends: Equity capital	-	-	(300,000)	(300,000)
At 1 January 2019	50,000	50,000	2,150,496	2,250,496
Profit for the year	-	-	651,101	651,101
Dividends: Equity capital	-	-	(380,000)	(380,000)
At 31 December 2019	50,000	50,000	2,421,597	2,521,597

The notes on pages 12 to 25 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Company information

Simms International Plc is a limited liability company incorporated in England, registered number 02653692. The address of the Company's principal place of business is Simms International Plc, Northdown Close, Northdown Business Park, Ashford Road, Lenham, Kent, ME17 2DL. The principal activity of the Company in the year under review was that of distributors of information technology products, principally memory.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Rorke Holdings Limited as at 31 December 2019 and these financial statements may be obtained from Companies House.

2.3 Consolidated accounts exemption

The Company is itself a parent undertaking and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.4 Revenue

Revenue represents amounts due from the normal activities of the business to the extent that the company obtains a right to consideration in exchange for its performance of those activities, exclusive of VAT and trade discounts. Revenue is recognised on dispatch of goods to customers.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets comprises goodwill only. Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life. Following acquisition it is the Company's policy that the underlying businesses continue to trade and operate in the same markets. The Company therefore considers the useful economic life of goodwill to be 20 years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line or reducing balance bases as appropriate.

Depreciation is provided on the following basis:

Leasehold improvements	-	20% on cost
Plant and machinery	-	10% or 33% on cost; 20% reducing balance
Motor vehicles	-	33% reducing balance

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.8 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.10 Debtors

Debtors held within current assets are measured at transaction price, less any impairment.

2.11 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

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

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

2.13 Creditors

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.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is British Pound.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash are presented in the Statement of Comprehensive Income within Administrative expenses.

2.15 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.16 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.

2.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Invoice discounting

The company is able to raise finance secured against approved trade debtors. On the basis that the benefits and risks attaching to the debts remain with the Company, a separate presentation has been adopted. On this basis the gross debts are included as an asset within the trade debtors and the proceeds received are included within bank loans and overdrafts as a liability.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

Notes to the Financial Statements
For the Year Ended 31 December 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgments have had the most significant impact on amounts recognised in the financial statements:

Goodwill included within intangible assets

The Company has recognised goodwill and other intangible assets arising from business combinations with a carrying value of £441,254 at the reporting date (see note 12). On acquisition the Company determines a reliable estimate of the useful life of goodwill and intangible assets based upon factors such as the expected use of the acquired business, forecasts of expected future results and cash flows, and any legal, regulatory or contractual provisions that can limit useful life. At each subsequent reporting date the directors consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the useful life of goodwill and intangible assets.

4. Analysis of turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	21,877,590	23,906,380
Rest of Europe	5,664,819	8,961,488
Rest of the world	3,030,185	1,555,032
	<u>30,572,594</u>	<u>34,422,900</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	113,402	137,698
Amortisation of intangible assets, including goodwill	52,426	52,426
Exchange differences	(56,659)	(29,000)
Other operating lease rentals	71,000	54,000

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>16,800</u>	<u>16,400</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	1,357,018	1,282,388
Social security costs	149,530	143,315
Cost of defined contribution scheme	58,076	50,703
	<u>1,564,624</u>	<u>1,476,406</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Sales	13	13
Administration	14	14
Marketing	3	3
	<u>30</u>	<u>30</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	32,031	30,690
Company contributions to defined contribution pension schemes	40,000	40,000
	<u>72,031</u>	<u>70,690</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	43,819	49,019
Other loan interest payable	17,559	14,006
	<u>61,378</u>	<u>63,025</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	187,097	96,255
Deferred tax		
Origination and reversal of timing differences	(15,756)	39,003
Taxation on profit on ordinary activities	<u>171,341</u>	<u>135,258</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 -higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>822,442</u>	<u>606,285</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	156,264	115,194
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	9,961	9,961
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,717	4,497
Depreciation on assets not qualifying for capital allowances	856	5,606
Other timing differences leading to an increase / (decrease) in taxation	(1,457)	-
Total tax charge for the year	<u>171,341</u>	<u>135,258</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

11. Dividends

	2019 £	2018 £
Ordinary shares	380,000	300,000

12. Intangible assets

	Goodwill £
Cost	
At 1 January 2019	1,048,522
At 31 December 2019	1,048,522
Amortisation	
At 1 January 2019	554,842
Charge for the year on owned assets	52,426
At 31 December 2019	607,268
Net book value	
At 31 December 2019	441,254
At 31 December 2018	493,680

Notes to the Financial Statements
For the Year Ended 31 December 2019

13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2019	97,363	666,254	62,300	825,917
Additions	-	46,796	-	46,796
At 31 December 2019	97,363	713,050	62,300	872,713
Depreciation				
At 1 January 2019	36,253	438,891	49,935	525,079
Charge for the year on owned assets	16,079	94,070	4,122	114,271
At 31 December 2019	52,332	532,961	54,057	639,350
Net book value				
At 31 December 2019	45,031	180,089	8,243	233,363
At 31 December 2018	61,110	227,363	12,365	300,838

Notes to the Financial Statements
For the Year Ended 31 December 2019

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	60,295
At 31 December 2019	<u>60,295</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Jactron Limited	Northdown Close, Northdown Business Park, Ashford Road, Lenham, Kent, ME17 2DL	Ordinary	100%

15. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>1,580,340</u>	<u>870,315</u>

16. Debtors

	2019 £	2018 £
Trade debtors	4,698,344	6,984,059
Other debtors	355,250	458,320
Prepayments and accrued income	69,408	76,432
	<u>5,123,002</u>	<u>7,518,811</u>

The Company is able to raise finance secured against approved trade debtors. The gross amount of the debts which were discounted at 31 December 2019 is £4,475,128 (2018: £6,769,835).

An impairment loss of £33,931 (2018: £7,008) was recognised against trade debtors.

Notes to the Financial Statements
For the Year Ended 31 December 2019

17. Cash

	2019 £	2018 £
Cash at bank and in hand	1,065,448	73,877
Less: bank overdrafts	-	(2,556,166)
	<u>1,065,448</u>	<u>(2,482,289)</u>

18. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	-	2,556,166
Trade creditors	4,372,364	3,124,229
Corporation tax	187,097	96,819
Other taxation and social security	34,614	37,222
Other creditors	230,487	100,487
Accruals and deferred income	563,100	542,198
	<u>5,387,662</u>	<u>6,457,121</u>

Bank overdrafts are secured against amounts owing within trade debtors and by way of a fixed and floating charge over the entire assets of the Company and its holding company.

19. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Bank loans	500,000	500,000
Amounts owed to group undertakings	60,295	60,295
	<u>560,295</u>	<u>560,295</u>

Bank loans are secured against amounts owing within debtors and by way of a floating charge over the assets of the Company and of its holding Company.

20. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due 1-2 years		
Bank loans	<u>500,000</u>	<u>500,000</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

21. Deferred taxation

	2019 £
At beginning of year	(49,904)
Charged to profit or loss	15,756
At end of year	(34,148)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(34,148)	(49,904)

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
200,001 (2018 - 200,001) Ordinary shares of £0.25 each	50,000	50,000

23. Reserves

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Profit and loss account

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the Company's shareholders.

24. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	53,000	36,000
Later than 1 year and not later than 5 years	159,000	144,000
	212,000	180,000

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

25. Related party transactions

During the year, the Company paid interest of £17,559 (2018: £14,006) on loans made by its directors.

During the year, the Company had loans advanced by the Directors of £295,000 and made repayments of loans from its Directors of £165,000. The balance owing by the Company to the Directors is £230,486, disclosed within other creditors falling due within one year.

During the year the Company paid rent on arm's length terms of £53,000 (2018: £36,000) to a company self administered pension scheme, a fund in which the directors are beneficiaries.

The Company has taken advantage of the exemption from disclosing related party transactions with its fellow group members and key management personnel compensation provided by Section 33 Related Party Disclosures paragraph 33.1A.

26. Controlling party

In the directors' opinion the Company's ultimate parent company is Rorke Holdings Limited, a company incorporated in England and Wales, and in which there is a controlling interest held by A R Henderson and S J Henderson. The consolidated financial statements of this company are available to the public from the Registrar of Companies.