

REGISTERED NUMBER: 02312465 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
PROTECTIVE PACKAGING LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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PROTECTIVE PACKAGING LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTORS:

J H Law
A P Harding
S Jolly
B C Lewis
C G Lewis

SECRETARY:

J H Law

REGISTERED OFFICE:

Unit 3, Gateway
1 Opus Close
Carrington
Manchester
M31 4RQ

REGISTERED NUMBER:

02312465 (England and Wales)

AUDITORS:

Harold Sharp Limited
Statutory Auditors and Chartered Accountants
5 Brooklands Place
Brooklands Road
Sale
Cheshire
M33 3SD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present the Strategic Report together with the audited financial statements for the year ended 31 December 2021.

REVIEW OF BUSINESS

The principal activities of the company during the year remained that of the manufacture of protective packaging solutions.

Development of the business

The Company's sales were split 56% domestic and 44% export with sales made to 38 export markets during fiscal 2021. These statistics indicate that the company's goals of maintaining its global presence and increasing its share of overseas markets are being realised in addition to the consolidation of its position as the UK's dominant company in its field and a leading player in Europe and beyond. The company continues to review its manufacturing techniques and material and product format mix with a view to achieving sales growth in industry sectors, specific applications and geographical regions that meet the sales strategies of the business. The company will continue to maximise the sales opportunities and associated margin levels for the unique elements of its product range. In every area of the business, we are stronger and more capable than ever due to the continuing success and further development of, the Buddy System linked to a more strategic recruitment policy. The current year has seen an increase in revenue of £1,837,649 despite the ongoing widely negative effects of the COVID pandemic.

The company's results for the year are on pages 11 and 12 of the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that the company faces continue to relate mainly to our position as a global supplier and engaging in business in differing markets. Our core strengths and extensive product offering will allow us to continue to mitigate the ongoing market uncertainties around the globe. Fiscal 2022 will see the business undertake a number of exciting and challenging projects in addition to our aforementioned investment in the latest, cutting edge conversion equipment. Firstly we require a major focus on overcoming and satisfying the complexities and intricacies associated with the newly implemented UK Plastic Packaging tax legislation. Secondly we will engage with the UK's leading software company to develop a bespoke version of Microsoft Dynamics to replace our current Microsoft Access database and revolutionise the way in which we work via information technology across the business. Last but not least, we will continue to deliver upon our pledge to reduce the impact that our business has on the environment, investing in multiple Green initiatives across the business including a solar panel installation at our new premises. The company will persist in taking on and overcoming the continued and further challenges associated with the global COVID pandemic and to ensure a readiness to furnish all relevant key-worker businesses with the climatic packaging solutions that they require.

Other potential risks include

Price risk: Economical, political and market conditions in supplier countries can affect the price we pay for raw materials. This can adversely affect our business but can also benefit the business.

Credit risk: All our domestic and overseas debt is insured or based on advance payment, to minimise any bad debt exposure within the business.

Liquidity risk: Due to our financial results during these financial years and our strict credit, we are diligent in managing our cash flows.

Exchange risk: The uncertainty associated to currency exchange rates is largely obviated by the company's natural hedge mechanism related to an almost equitable split in overseas currency sales and purchases.

Financial/Cash flow risk: The Company finances its operations through a mixture of cash flows and invoice financing. Daily cash positions are sent to the board for review. The management's objective is to retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

FUTURE DEVELOPMENTS

During Q2 2022, it is the company's intention, now we have completed our relocation to our brand new design-and-build factory of 38,000ft², to invest in a purpose built, state of the art zipper pouch machine to further compliment our already significant manufacturing capabilities. This will allow us to become a more efficiently productive business and to continue to be nimble and responsive and to maintain our exceptionally short lead times and thus deliver a further year of growth in Fiscal 2022 and beyond. From our new modern base, and with our new equipment in place, the Directors are planning to be ready to exploit the growing opportunities associated with the global market and maintain and where possible enhance their position, as a worldwide leader in the provision of climatic packaging solutions across all market sectors and geographical locations. The company's routes to market will continue to be a combination of direct sales and sales via a strategically developed network of exclusive and non-exclusive distributors and business partners, all supported by a proactive Customer Support Department deploying an acutely developed up-selling initiative. The company will continue to work to the disciplines of its accreditation to ISO 9001:2015 and exploit the opportunities that will arise as a result. The company will use its enhanced manufacturing base to continue to engage with its key markets such as the pharmaceutical, diagnostic, healthcare, aerospace, electronics and food sectors. We will extend our global reach and presence by a significant increase in our marketing activity and through further development of our various websites in tandem with our linguistic skill sets. The company's commercial and operational platforms will grow through the further development of management in both areas of the business to further support the fulfilment of the company's Fiscal 2022 growth aspirations. 2022 will see a continued emphasis placed upon the company's significant differentiators as we seek to develop new markets and where necessary, displace the indigenous supply base.

POST BALANCE SHEET EVENTS

In February 2022 Russia invaded Ukraine, the economic impact has been felt particularly around energy/fuel prices with increases affecting our suppliers and pricing, our freight costs on imports and the shipping of both domestic and exporting of goods.

Along with an increase in energy/fuel pricing we have also seen increases in aluminium and polymer pricing throughout 2021 and into 2022. Due to the nature of our business this has had an impact in our suppliers pricing. As a business we are diligently monitoring these changes to ensure we are getting the most competitive prices and staying ahead of the curve.

Although COVID restriction have eased and as at the time of writing this statement no further lockdowns have been implemented the business continues to be diligent in its responsibilities. Throughout the pandemic our priority has been the safety and wellbeing of our employees, risk assessments have been undertaken and measures put in place to ensure that we as a business can continue to operate in a safe environment. Management are actively monitoring the situations and taking actions where possible to ensure that the business can manage through any impact that it may face in the future.

2021 brought with it a change to the way we do business with Europe due to the end of the transition period for the UK's exit from the European Union. As a business we managed to navigate this with little disruption due to the detailed preparation of our Brexit task force. We are still monitoring changes that are being made in 2022 for things like the changes from CHIEFS (Customs Handling of Import & Export Freight) to CDS (Customs Declaration Service) and also any potential changes to the Northern Ireland Protocol.

The Plastic Packaging Tax came into effect as at the 1st April 2022, as with previous potential significant business changes a task force of key personnel was set up to look at the legislation and how our business would be affected. It quickly became evident due to our supply into the food/pharmaceutical industries and relative short supply of recycled material available from our suppliers that this would definitely impact us and as such we made the relevant changes to our systems/processes to accurately report our liability.

We have engaged with a specialist to have a custom built state of the art zipper machine built to enhance our capabilities and product offering. The aim is to have the machine operational at some point in the 2nd half of 2022.

As part of the review of our business impact on the environment we have once again partnered with a company to off-set our carbon emissions to become carbon neutral for another year. We have also engaged with a specialist company for the installation of solar panels at our new facility which will hopefully be in place by the end of 2022.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

GOING CONCERN

In preparing these financial statements, the Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the

Company will continue in business. In satisfaction of this responsibility, the Directors have considered the Company's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

Due to the current environment arising from the global pandemic, management have made an assessment of the likely impact of Covid-19 on the Company based on the latest available information and Government guidance. This assessment has looked at the likely duration of the crisis as well as sales that could be expected to be generated during an extended period of restrictions.

The Company continues to manufacture at its new factory production facility with no plans to stop production. To date, the Company has not experienced any significant disruption from employee absence, its supply chain or its distribution networks and none is anticipated in the foreseeable future due to the fact that the Company has significant current orders as at the date of signing these accounts as well as holding appropriate levels of stock.

The Directors have prepared what they consider to be a realistic forecast for the period to the end of December 2023. This indicates that for a period of 17 months from the date of signing these accounts, the Company continues to generate cash. There are various cost saving measures that the Directors could implement if the fall in revenue was worse than this.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

FINANCIAL KEY PERFORMANCE INDICATORS

Financially we have exercised excellent controls with regard to stock and cash flow with stock turn, debtor days and creditor days all at appropriate levels. All expense lines remain under control. Our sales visits and issued samples and quotes were all in line with our targets and our customer survey clearly indicates that we are considered an excellent supplier. Quality complaints are down in relation to the increased number of customers and sales generated.

RESEARCH AND DEVELOPMENT

The company will continue to develop new materials, manufacturing techniques and packaging product formats to allow entry into new geographical markets, areas of application and industry sectors and continue to provide specialist product and equipment manufacturers with the climatic packaging solutions that they require. We will endeavour wherever possible to utilise smart features on our packaging to exploit the opportunities for intelligent packaging. The company will build upon its growing reputation as a developer of the most appropriate packaging solutions to meet the specific demands of the customer's needs and that of their products and routes to market. The company will continue to link its excellent technical acumen with that of its key material supply base to achieve this objective.

ON BEHALF OF THE BOARD:

J H Law - Director

12 September 2022

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacture of protective packaging solutions.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2021 is £1,000,002 (2020: £953,156). The directors do not recommend a final dividend.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

J H Law
A P Harding
S Jolly
B C Lewis
C G Lewis

DIRECTORS INDEMNITIES

The company has currently made qualifying third party indemnity provisions for the benefit of its directors, which remain in force at the date of this report.

MATTERS INCLUDED IN THE STRATEGIC REPORT

The business review, financial risk assessment, assessment of principal risk and uncertainties, research and development, post balance sheet events and future developments are included within the strategic report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

AUDITORS

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

ON BEHALF OF THE BOARD:

J H Law - Director

12 September 2022

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PROTECTIVE PACKAGING LIMITED

Opinion

We have audited the financial statements of Protective Packaging Limited (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PROTECTIVE PACKAGING LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PROTECTIVE PACKAGING LIMITED

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our planning process:

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PROTECTIVE PACKAGING LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Dent (Senior Statutory Auditor)
for and on behalf of Harold Sharp Limited
Statutory Auditors and Chartered Accountants
5 Brooklands Place
Brooklands Road
Sale
Cheshire
M33 3SD

15 September 2022

PROTECTIVE PACKAGING LIMITED (REGISTERED NUMBER: 02312465)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
	Notes	£	£
TURNOVER	3	13,477,282	11,639,633
Cost of sales		<u>5,788,564</u>	<u>4,922,734</u>
GROSS PROFIT		7,688,718	6,716,899
Administrative expenses		<u>6,035,788</u>	<u>5,268,072</u>
OPERATING PROFIT	5	1,652,930	1,448,827
Interest payable and similar expenses	7	<u>40,574</u>	<u>36,945</u>
PROFIT BEFORE TAXATION		1,612,356	1,411,882
Tax on profit	8	<u>331,462</u>	<u>279,930</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,280,894</u>	<u>1,131,952</u>

The notes form part of these financial statements

PROTECTIVE PACKAGING LIMITED (REGISTERED NUMBER: 02312465)**BALANCE SHEET
31 DECEMBER 2021**

	Notes	2021 £	£	2020 £	£
FIXED ASSETS					
Tangible assets	10		1,390,600		706,135
CURRENT ASSETS					
Stocks	11	944,212		820,697	
Debtors	12	5,421,327		4,999,483	
Cash at bank and in hand		<u>685,271</u>		<u>452,621</u>	
		7,050,810		6,272,801	
CREDITORS					
Amounts falling due within one year	13	<u>3,599,540</u>		<u>2,544,606</u>	
NET CURRENT ASSETS			<u>3,451,270</u>		<u>3,728,195</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,841,870		4,434,330
PROVISIONS FOR LIABILITIES	16		<u>524,110</u>		<u>397,462</u>
NET ASSETS			<u><u>4,317,760</u></u>		<u><u>4,036,868</u></u>
CAPITAL AND RESERVES					
Called up share capital	17		5,000		5,000
Retained earnings	18		<u>4,312,760</u>		<u>4,031,868</u>
SHAREHOLDERS' FUNDS			<u><u>4,317,760</u></u>		<u><u>4,036,868</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 12 September 2022 and were signed on its behalf by:

J H Law - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2020	5,000	3,853,072	3,858,072
Changes in equity			
Dividends	-	(953,156)	(953,156)
Total comprehensive income	-	1,131,952	1,131,952
Balance at 31 December 2020	<u>5,000</u>	<u>4,031,868</u>	<u>4,036,868</u>
Changes in equity			
Dividends	-	(1,000,002)	(1,000,002)
Total comprehensive income	-	1,280,894	1,280,894
Balance at 31 December 2021	<u>5,000</u>	<u>4,312,760</u>	<u>4,317,760</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. **STATUTORY INFORMATION**

Protective Packaging Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Unit 3, Gateway, 1 Opus Close, Carrington, Manchester, M31 4RQ and its registered number is 02312465. The nature of the company's operations and its principal activities are set out in the strategic report.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The presentational and functional currency is GBP £.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

This information is included in the consolidated financial statements of Betronics Limited as at 31 December 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors have made no material judgements but have made estimates in preparing these financial statements. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Trade debtors recoverability

Amount recoverable on trade debtors are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amount settled and any impairment losses. The directors make estimates as to the recoverability of these debts and provide for them accordingly.

Stock valuation

Stock is initially measured at the cost price and subsequently measured at cost less obsolescence provision.

As new lines are released the directors make estimates as to the the recoverability of cost on the older stock items and provide for them prudently.

Provisions

A provision is recognised in the balance sheet when the entity 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.

Management estimate and make provision for costs that will be incurred in returning a leased property to the condition that it was in at the inception of the lease. The actual costs of work that needs to be completed could vary from the estimates. The amount recognised is the estimated cost of dilapidations and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of dilapidations or dilapidations cost estimates are dealt with prospectively by recording an adjustment to the provision.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

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 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.

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

Depreciation is provided on the following bases:

Leasehold property improvements -10% reducing balance

Motor vehicles -25% reducing balance

Plant & machinery -10% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

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. Work in progress and finished goods include labour and attributable overheads.

At each reporting 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade debtors, other debtors, amounts owed by group undertakings, amounts owed by related parties and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade creditors, other creditors, amounts owed to group undertakings, and amounts owed to related parties, that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Going concern

In preparing these financial statements, the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility, the directors have considered the company's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

Due to the current environment arising from the global pandemic, management have made an assessment of the likely impact of Covid-19 on the company based on the latest available information and Government guidance. This assessment has looked at the likely duration of the crisis as well as sales that could be expected to be generated during an extended period of restrictions.

The company continues to manufacture at its production facilities with no plans to stop production. To date, the company has not experienced any significant disruption from employee absence, its supply chain or its distribution networks and none is anticipated in the foreseeable future due to the fact that the company has significant current orders as at the date of signing these accounts as well as holding appropriate levels of stock.

In light of potential unforeseen impacts of Covid-19, the Directors have prepared what they consider to be a realistic forecast for the period to the end of December 2023. This indicates that for a period of 13 months from the date of signing these accounts, the company continues to generate cash. There are various saving measures that the directors could implement if the fall in revenue was worse than this.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2021	2020
	£	£
United Kingdom	7,434,940	6,108,748
Europe	4,450,847	4,145,599
Rest of the world	1,591,495	1,385,286
	<u>13,477,282</u>	<u>11,639,633</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

4. EMPLOYEES AND DIRECTORS

	2021	2020
	£	£
Wages and salaries	5,204,913	4,728,651
Social security costs	227,094	189,324
Other pension costs	64,383	61,746
	<u>5,496,390</u>	<u>4,979,721</u>

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

	2021	2020
Production staff	30	27
Administrative staff	30	32
Management staff	5	5
	<u>65</u>	<u>64</u>

Directors are deemed to be key management personnel.

	2021	2020
	£	£
Directors' remuneration	3,461,827	3,121,998
Directors' pension contributions to money purchase schemes	<u>2,580</u>	<u>-</u>

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

Money purchase schemes	<u>1</u>	<u>2</u>
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Information regarding the highest paid director is as follows:

	2021	2020
	£	£
Emoluments etc	<u>2,878,213</u>	<u>2,826,177</u>

Amounts paid to third parties in respect of directors services £42,000 (2020: £58,739).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director was £nil (2020: £nil).

5. OPERATING PROFIT

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

	2021	2020
	£	£
Hire of plant and machinery	6,546	-
Other operating leases	136,292	173,625
Depreciation - owned assets	104,766	67,835
Loss on disposal of fixed assets	22,962	-
Auditors' remuneration	15,000	18,900
Foreign exchange differences	<u>61,861</u>	<u>(40,051)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

5. OPERATING PROFIT - continued

Services provided by the auditors for non audit services were £1,000 (2020: £8,848).

6. EXCEPTIONAL ITEMS

	2021	2020
	£	£
Exceptional items	<u>(116,835)</u>	<u>(61,791)</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Other interest received	(15)	(63)
Invoice factoring fees	<u>40,589</u>	<u>37,008</u>
	<u>40,574</u>	<u>36,945</u>

8. TAXATION

Analysis of the tax charge

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

	2021	2020
	£	£
Current tax:		
UK corporation tax	263,647	288,613
Deferred tax	<u>67,815</u>	<u>(8,683)</u>
Tax on profit	<u>331,462</u>	<u>279,930</u>

Reconciliation of total tax charge included in profit and loss

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

	2021	2020
	£	£
Profit before tax	<u>1,612,356</u>	<u>1,411,882</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	306,348	268,258
Effects of:		
Expenses not deductible for tax purposes	20,281	1,436
Capital allowances in excess of depreciation	(62,982)	-
Depreciation in excess of capital allowances	-	300
Adjustments to tax charge in respect of previous periods	-	1,498
Deferred tax	<u>67,815</u>	<u>8,438</u>
Total tax charge	<u>331,462</u>	<u>279,930</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. **DIVIDENDS**

	2021 £	2020 £
Ordinary shares shares of £1 each		
Final	<u>1,000,002</u>	<u>953,156</u>

Dividends are paid on ordinary shares only.

10. **TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Motor vehicles £	Totals £
COST				
At 1 January 2021	85,003	1,953,196	8,235	2,046,434
Additions	764,998	47,195	-	812,193
Disposals	(85,003)	-	(8,235)	(93,238)
At 31 December 2021	<u>764,998</u>	<u>2,000,391</u>	<u>-</u>	<u>2,765,389</u>
DEPRECIATION				
At 1 January 2021	64,630	1,271,551	4,118	1,340,299
Charge for year	38,433	66,333	-	104,766
Eliminated on disposal	(66,158)	-	(4,118)	(70,276)
At 31 December 2021	<u>36,905</u>	<u>1,337,884</u>	<u>-</u>	<u>1,374,789</u>
NET BOOK VALUE				
At 31 December 2021	<u>728,093</u>	<u>662,507</u>	<u>-</u>	<u>1,390,600</u>
At 31 December 2020	<u>20,373</u>	<u>681,645</u>	<u>4,117</u>	<u>706,135</u>

11. **STOCKS**

	2021 £	2020 £
Raw materials	866,845	769,432
Finished goods	<u>77,367</u>	<u>51,265</u>
	<u>944,212</u>	<u>820,697</u>

No impairment loss has been recognised in cost of sales against stock during the year or in the prior year due to slow-moving and obsolete stock.

There is no material difference between replacement cost of stocks and the amounts stated above.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
Trade debtors	2,202,282	1,481,040
Amounts owed by group undertakings	2,287,298	2,318,519
Other debtors	509	3,855
Amounts owed by related parties	798,288	912,978
Tax	-	158,440
Prepayments and accrued income	132,950	124,651
	<u>5,421,327</u>	<u>4,999,483</u>

Trade debtors of £2,039,118 (2020 £1,431,112) were factored at 31 December 2021 and are included above as an outstanding trade balance due from the facility provider as the cash has not been received from them at the year end. Factoring debt is secured by a fixed charge in favour of Close Brothers Limited.

The impairment loss recognised in the company statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £nil (2020: £nil).

Amounts owed by group undertakings are interest free and due on demand.

13. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
Trade creditors	893,071	577,604
Tax	105,208	-
Social security and other taxes	410,623	549,151
Other creditors	1,751,790	1,238,141
Accruals and deferred income	438,848	179,710
	<u>3,599,540</u>	<u>2,544,606</u>

14. **LEASING AGREEMENTS**

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

	2021	2020
	£	£
Within one year	316,839	155,802
Between one and five years	1,173,724	137,171
In more than five years	2,269,963	-
	<u>3,760,526</u>	<u>292,973</u>

15. **SECURED DEBTS**

The following secured debts are included within creditors:

	2021	2020
	£	£
Other creditors	<u>376,792</u>	<u>-</u>

Factoring debts are secured by a debenture in favour of Close Brothers Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

16. PROVISIONS FOR LIABILITIES

	2021 £	2020 £
Deferred tax	130,864	63,049
Other provisions	<u>393,246</u>	<u>334,413</u>
	<u>524,110</u>	<u>397,462</u>
	Deferred tax £	Dilapidati on £
Balance at 1 January 2021	63,049	334,413
Provided during year	-	52,000
Charge to Income Statement during year	67,815	-
Utilised during year	-	(11,251)
Transferred from creditors	<u>-</u>	<u>18,084</u>
Balance at 31 December 2021	<u>130,864</u>	<u>393,246</u>

The provision for deferred taxation comprises accelerated capital allowances of £204,582 (2020: £129,025) and short term timing differences of £(73,718) (2020: £(65,976)).

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value: £1	2021 £	2020 £
Number:	Class:			
5,000	Ordinary shares		<u>5,000</u>	<u>5,000</u>

18. RESERVES

	Retained earnings £
At 1 January 2021	4,031,868
Profit for the year	1,280,894
Dividends	<u>(1,000,002)</u>
At 31 December 2021	<u>4,312,760</u>

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £64,383 (2020: £61,746). Contributions totalling £nil (2020: £nil) were payable to the fund at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

20. **ULTIMATE PARENT COMPANY**

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

In the opinion of the directors this is the company's ultimate parent company.
Betronics Limited is ultimately controlled by C G Lewis.

21. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

The company paid consultancy fees of £42,000 (2020: £45,014) to Boxburn Limited, a company in which J H Law is a director. At the year end the balance of £21,000 (2020: £nil) was due to Boxburn Limited. The amount is included within trade creditors.

The company paid consultancy fees of £nil (2020: £3,225) to Edwards Veeder LLP, a company in which J H Law is a partner. At the year end the balance of £nil (2020: £nil) was due to Edwards Veeder LLP.

As at 31 December 2021 the company owed £1,374,998 (2020: £1,238,141) to C G Lewis a director of the company. The amount is included in other creditors.

The company is also related to 3D Barrier Bags, Inc. a company under common control. During the year the company made sales of £302,271 (2020: £157,661) to 3D Barrier Bags. At the year end £798,288 (2020: £912,978) was owed by 3D Barrier Bags. This is included in debtors amounts owed by related parties.

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