

**AVON STEEL COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



**AVON STEEL COMPANY LIMITED**  
**REGISTERED NUMBER: 01346397**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	4	931,083	947,032
Investments	5	100	100
Investment property	6	130,000	130,000
		<u>1,061,183</u>	<u>1,077,132</u>
<b>Current assets</b>			
Stocks		1,002,324	911,960
Debtors: amounts falling due within one year	7	3,398,518	2,169,549
Cash at bank and in hand	8	32,518	61,065
		<u>4,433,360</u>	<u>3,142,574</u>
Creditors: amounts falling due within one year	9	(6,795,240)	(4,323,801)
<b>Net current liabilities</b>		<u>(2,361,880)</u>	<u>(1,181,227)</u>
<b>Total assets less current liabilities</b>		<u>(1,300,697)</u>	<u>(104,095)</u>
Creditors: amounts falling due after more than one year	10	(121,551)	(229,246)
<b>Provisions for liabilities</b>			
Deferred tax		-	(29,726)
		<u>-</u>	<u>(29,726)</u>
<b>Net liabilities</b>		<u><u>(1,422,248)</u></u>	<u><u>(363,067)</u></u>

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AVON STEEL COMPANY LIMITED  
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BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2018

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	2018 £	2017 £
<b>Capital and reserves</b>		
Called up share capital	1,250	1,250
Share premium account	29,795	29,795
Capital redemption reserve	117,705	117,705
Investment property reserve	(52,651)	(52,651)
Profit and loss account	(1,518,347)	(459,166)
<b>Shareholders' funds</b>	<u>(1,422,248)</u>	<u>(363,067)</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

30 SEPTEMBER 2019



**M A Welden**  
Director

The notes on pages 3 to 11 form part of these financial statements.

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## AVON STEEL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. General information

The company is a private company limited by shares and incorporated in England and Wales. The address of its registered office is Midsomer Norton Enterprise Park, Wheelers Hill, Midsomer Norton, Bath, Somerset BA3 2BB.

#### 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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

During the current year the company was acquired by a new group. To align with group accounting policies there has been reclassification of costs between cost of sales and administration expenses. This adjustment has not impacted on the overall results previously reported.

The following principal accounting policies have been applied:

##### 2.2 Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The immediate parent entity will provide support to the company to meet its forecast liabilities as they fall due.

##### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 2.4 Operating leases: the Company as lessee

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

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## AVON STEEL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **2. Accounting policies (continued)**

##### **2.5 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

##### **2.6 Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

##### **2.7 Borrowing costs**

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

##### **2.8 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.

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## AVON STEEL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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## 2. Accounting policies (continued)

### 2.9 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

### 2.10 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as detailed below.

Depreciation is provided on the following basis:

Long-term leasehold property	- Over the term of the lease
Plant and machinery	- 15% straight line
Motor vehicles	- 25% straight line

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.

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## AVON STEEL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.11 Investment property

Investment property is carried at fair value determined annually by valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of comprehensive income.

##### 2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.13 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 profit or loss.

##### 2.14 Cash and cash equivalents

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

##### 2.15 Debtors

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

##### 2.16 Creditors

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

##### 2.17 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.

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## AVON STEEL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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.

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.

##### 2.19 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.

#### 3. Employees

The average monthly number of employees, including directors, during the year was 34 (2017 - 49).



**AVON STEEL COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. Tangible fixed assets**

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2018	871,019	572,970	78,196	1,522,185
Additions	15,250	136,137	70,400	221,787
Disposals	-	-	(84,087)	(84,087)
At 31 December 2018	886,269	709,107	64,509	1,659,885
<b>Depreciation</b>				
At 1 January 2018	249,233	261,130	64,790	575,153
Charge for the year	28,694	83,907	16,126	128,727
Disposals	-	-	(59,895)	(59,895)
Impairment charge	46,488	38,329	-	84,817
At 31 December 2018	324,415	383,366	21,021	728,802
<b>Net book value</b>				
At 31 December 2018	561,854	325,741	43,488	931,083
At 31 December 2017	621,786	311,840	13,406	947,032

**5. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January 2018	100
At 31 December 2018	100

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AVON STEEL COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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6. Investment property

	Freehold investment property £
<b>Valuation</b>	
At 1 January 2018	130,000
<b>At 31 December 2018</b>	<u>130,000</u>

The 2018 valuations were made by the directors, on an open market value basis.

7. Debtors

	2018 £	2017 £
Trade debtors	1,398,494	2,113,913
Amounts owed by group undertakings	1,915,560	-
Other debtors	15,096	12,453
Prepayments and accrued income	69,368	43,183
	<u>3,398,518</u>	<u>2,169,549</u>

8. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>32,518</u>	<u>61,065</u>

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**AVON STEEL COMPANY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Bank loans	739,069	1,584,409
Trade creditors	5,403,944	2,388,219
Other taxation and social security	49,559	55,075
Obligations under finance lease and hire purchase contracts	9,359	6,431
Other creditors	1,554	14,502
Accruals and deferred income	591,755	275,165
	<u>6,795,240</u>	<u>4,323,801</u>

Included in trade creditors is an amount of £5,308,677 (2017: £nil) due to the parent company.

Included in bank loans is an amount of £739,069 (2017: £1,584,409) which is secured on a debenture over the assets of the company and a fixed charge over the company's investment property.

Assets held under finance leases and hire purchase contracts are secured on the assets to which they relate.

**10. Creditors: Amounts falling due after more than one year**

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	32,316	-
Other creditors	89,235	229,246
	<u>121,551</u>	<u>229,246</u>

**11. Pension commitments**

The Company operates a defined contributions 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 £8,842 (2017: £7,114). Contributions totalling £1,554 (2017: £1,207) were payable to the fund at the balance sheet date

**12. Consolidated parent undertaking**

The smallest group for which consolidated financial statements are prepared which include the results of this company is that headed by Breal Capital Limited whose registered office is 4th Floor, 7/10 Chandos Street, London, W1G 9DQ.

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**AVON STEEL COMPANY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**13. Auditors' information**

The auditors' report on the financial statements for the year ended 31 December 2018 was unqualified.

The audit report was signed on 30/09/19 by Daryush Farshchi-Heidari FCA (Senior statutory auditor) on behalf of Simmons Gainsford LLP.