Company registration number: 03431339

M2M Limited

Financial statements

31 December 2020

M2M Limited

Contents

M2M Limited

Directors and other information

Directors	G. V. Mitchell
Secretary	P. R. Mitchell
Company number	03431339
Registered office	15-19 Cavendish Place London W1G 0DD
Business address	4th Floor Hanover Place 8 Ravensbourne Road Bromley Kent BR1 1HP
Auditor	Bowker Orford 15-19 Cavendish Place London W1G ODD

Strategic report

The principal activity of the company is a distributor of computer components, solutions and software into the computer manufacturing, datacentres and the IT channel to resellers, e-tail and retail outlets for both specialist and standard memory as well as storage server products.

M2M is a specialist Memory and Storage Distributor. We sell a range of Dram memory and SSD components for PC's, Notebooks, Servers and Mobile devices. We represent Samsung Semiconductor, Samsung Electronics, Micron Semiconductor-Crucial, SK Hynix and Intel for SSD and Memory Products. We also represent G Skill a specialist manufacturer of Gaming Memory and gaming peripheral products. For storage components and peripheral products we represent Lexar, iStorage, Verbatim and Intenso with their respective brands of internal and external hard drives and SSD's as well a range of external Memory storage devices based on Nand Flash and HDD Storage technology many with enhanced security features designed for Data Protection.

The component business is traditionally a high volume low margin commodity business for M2M and is subject to pricing, supply and demand fluctuations. During 2020 prices, demand and sales were very strong in the first quarter of 2020.

Sales revenue for 2020 was £29.7m, which was about 13.9% down on our plan and revenue of 2019 but considering for some 9 months we and many companies in the UK were working in either a complete or partial lock down mode due to the impact of COVID-19 we are actually pleased with this result.

I am delighted to report we have maintained a fully operational business and have actually increased our customer base, our gross margins to 5.65% and we are pleased to report as a business we have made an operating profit of £83,181 and increased our net profit after tax to £107,743 and our cash position was £771,746, which was a positive result.

However, with the onset of the worldwide COVID-19 Pandemic which hit the UK and Europe during early March 2020, like many businesses this did have a significant impact on our business and the worldwide market.

In response to the COVID-19 outbreak in March 2020, the UK Government from the 12th March and then almost daily thereafter requested businesses to take responsible action. They asked Employer's and their respective workforce to implement either a partial lock down, or a total shut down for certain businesses, depending on the circumstances. This was to protect the spread of the COVID-19 virus and to reduce the increasing burden on the NHS system.

During this period M2M was fully operational and continued to be throughout 2020. From March 23rd 2020 we requested the whole Sales, Marketing, Accounts and Customer services teams to work from home. Our Distribution centre (X-Pand Logistics is based in Egham) was open and has been fully operational throughout the pandemic, receiving all deliveries and despatching orders on a normal daily basis.

Financial risk management objectives and policies

In common with many other commercial entities, there are potential financial risks and uncertainties related to the current economy downturn. The director is aware of these risks and uncertainties and monitors them regularly; and have a series of strategies and procedures in place to deal with them.

Principal risks and uncertainties

The company's operational activities expose it to a number of potential financial risks and uncertainties which may affect the performance of the company. These are regularly considered by the director. The key risks are as follows:

Price risk

The company may be affected by supplier price changes. With the BREXIT vote to leave the European Union we have seen some major currency fluctuations which has impacted the business in 2020. This will continue to be volatile into 2021 as a large percentage of our supply chain is priced in US Dollars. That said, we have increased US Dollar and Euro customer orders and sales which has mitigated some of the risk. The director is of the opinion that adherence to company purchasing policies and procedures mitigates this risk as far as possible. The DRAM Memory and Flash business is a classic supply and demand model that saw some significant price erosion in the second half 2020. This did impact margins in a negative way as we saw some product dumping on both DRAM and SSD. Going forward with BREXIT we do not know how the impact of legislation, the single market and free movement of goods and labour will mean to our business, however, we will adapt our logistics and distribution policies to meet those needs of not only Europe, but other emerging markets for M2M Limited.

Credit risk

There is a risk of bad debts in the normal course of trading. The company has procedures in place in order to minimise this risk. All customers who wish to trade on credit terms are subject to credit verification procedures and credit insurance through Euler Hermes. In 2020 with the volatility of the market and COVID-19, we specifically had a few bad debts. We had cover on these with Euler Hermes to mitigate these risks we have also increased our focus credit risk compliance on all new customer credit applications. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Liquidity risk

The company has bank and cash balances of 2020 £771,746 (2019: £584,429). The director is confident that the funding structure is sufficient for trading operations and future company expansion. During the onset of COVID-19, whilst we saw a decrease in demand, customer payments remained on track and over the period along with Government support and in some cases supplier support our cash flow remained strong. During this period we did take the opportunity to get support from the Bank and Government by way of the CBILS loan which did help support our cash flow in Q3-Q4 2020 and into 2021.

Market risk

The company mitigates the risks that arise through competitive pressures by offering a service that is of high quality, through well trained staff as well as competitively priced products. The development of strong client relationships is also actively pursued in order to maintain a strong loyal customer base.

As we moved into 2020, we also saw the potential of the COVID-19 pandemic, which compounded supply lead times and along with strong demand saw prices increase dramatically in Q1 2020. But with imminent shut downs and home working this did impact demand in certain business sectors specifically the Corporate Resellers who in turn support the finance sector, insurance and education.

In accordance with Government advice, the team worked from home and continued to successfully trade as our Logistic facility was fully open throughout this period. We did reduce our inventory levels and took great care to manage our orderbooks.

Outlook

We are optimistic that with increased product and supply lead times, price increases and a continuing strengthening of the customer base together with continued expansion of the product mix will enable company growth during 2021. This combined with the move into the corporate enterprise arena along with our focus on the emerging Datacentre and Cloud market will lead over time to an increased margin model. However, the level of investment and marketing to shift our business focus from being a Commodity personal computer components distributor into an Enterprise distribution model will be challenging, we are pleased to report that we have made good progress in this area with multiple design wins into this sector.

As a result of increasing prices and extended lead times during December, we again invested in stocks on the back of significant price rises that was anticipated to continue into 2021. We became aware of the news of the emerging COVID-19 pandemic in China that could potentially see many manufacturers back-end assembly and testing and logistic facilities having impact on delivery timescales as many of our key suppliers have production plants in China.

After a very strong Q1 2020, in terms of sales and operating profit with the onset of COVID-19, we are pleased to report that trading has remained consistent during Q2 and Q3 at a reduced level. We have once again seen stronger demand and increased trading in Q4 with prices holding firm and increasing.

Financial key performance indicators

Overall, our business turnover decreased by 13.9% to £29.7m, which considering the market conditions and the impact of COVID-19 in the UK and international markets during 2019, was a major achievement. As planned, we started to significantly shift our business into storage and memory products as well as new technologies such as Enterprise solid state drives and server products. We now have a business split of 35% Memory, 50% Storage and 15% Enterprise products. Gross profit margins increased to 5.65%. We are pleased to report the company made a net profit after tax of £107,743, which considering the market conditions and the impact of COVID-19 and working from home was very positive. This was driven by increased margins and managing logistics costs, inventory write downs, as well as a trading volumes. The operating profit performance was impacted by some inventory write-downs in line with market price erosion as well as the COVID-19 market conditions of which impacted ten months of trading.

This report was approved by the board of directors on 29 September 2021 and signed on behalf of the board by:

G. V. Mitchell
Director

Directors report
Year ended 31 December 2020

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

Directors

The directors who served the company during the year were as follows:

G. V. Mitchell

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Financial instruments

Financial instruments are stated at fair value.

Events after the end of the reporting period

There are no matters to report as post balance sheet events.

Directors responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 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 judgments and accounting estimates that are reasonable and prudent; and
- 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 29 September 2021 and signed on behalf of the board by:

G. V. Mitchell
Director

Independent auditor's report to the members of M2M Limited Year ended 31 December 2020

Opinion

We have audited the financial statements of M2M Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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 has 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 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 the 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of designing our audit, we determined the materiality level and assessed the risks of material misstatement in the financial statements, including how fraud may occur by enquiring of management of its own consideration of fraud. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also considered potential financial or other pressures, opportunity and motivations for fraud. As part of this discussion we identified the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations and how management monitor these processes. Appropriate procedures included the review and testing of manual journals and key estimates and judgements made by management.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls including testing journals and evaluation whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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 on the effectiveness of the 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.

Use of our report

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

R. Parmar

Rashpal Parmar FCA (Senior Statutory Auditor)

For and on behalf of
Bowker Orford
Accountants, Business Advisers and Statutory Auditors
15-19 Cavendish Place
London
W1G ODD

29 September 2021

M2M Limited

Statement of income and retained earnings
Year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	29,773,841	34,575,842
Cost of sales		(28,092,487)	(33,095,672)
Gross profit		1,681,354	1,480,170
Administrative expenses		(1,598,173)	(1,645,306)
Operating profit/(loss)	5	83,181	(165,136)
Other interest receivable and similar income	8	23,676	21,219
Interest payable and similar expenses	9	(1,322)	(43,082)
Profit/(loss) before taxation		105,535	(186,999)
Tax on profit/(loss)	10	2,208	8,882
Profit/(loss) for the financial year and total comprehensive income		107,743	(178,117)
Dividends declared and paid or payable during the year	12	-	(32,700)
Retained earnings at the start of the year		2,208,960	2,419,777
Retained earnings at the end of the year		2,316,703	2,208,960
Earnings per share	11		
Basic and diluted earnings per share (pence per share)		3.04	(5.02)

All the activities of the company are from continuing operations.

The notes on pages 15 to 26 form part of these financial statements.

M2M Limited

Statement of financial position
31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	13	17,191		-	
Tangible assets	14	196,087		254,350	
			213,278		254,350
Current assets					
Stocks	15	3,129,145		3,562,029	
Debtors	16	4,431,121		6,642,650	
Cash at bank and in hand		771,746		584,429	
		8,332,012		10,789,108	
Creditors: amounts falling due within one year	18	(5,472,484)		(8,752,687)	
Net current assets			2,859,528		2,036,421
Total assets less current liabilities			3,072,806		2,290,771
Creditors: amounts falling due after more than one year	19		(685,000)		-
Provisions for liabilities	20		(35,603)		(46,311)
Net assets			2,352,203		2,244,460
Capital and reserves					
Called up share capital	23		35,500		35,500
Profit and loss account	24		2,316,703		2,208,960
Shareholders funds			2,352,203		2,244,460

The notes on pages 15 to 26 form part of these financial statements.

Statement of financial position (continued)
31 December 2020

These financial statements were approved by the board of directors and authorised for issue on 29 September 2021, and are signed on behalf of the board by:

G. V. Mitchell
Director

Company registration number: 03431339

The notes on pages 15 to 26 form part of these financial statements.

M2M Limited

Statement of cash flows
Year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit/(loss) for the financial year		107,743	(178,117)
Adjustments for:			
Depreciation of tangible assets		64,234	54,304
Amortisation of intangible assets		2,144	-
Other interest receivable and similar income		(23,676)	(21,219)
Interest payable and similar expenses		1,322	43,082
Tax on profit/loss		(2,208)	(8,882)
Accrued expenses/(income)		53,069	(7,315)
Changes in:			
Stocks		432,884	(1,261,789)
Trade and other debtors		2,211,529	(1,379,761)
Trade and other creditors		(3,362,234)	3,151,175
Cash generated from operations		(515,193)	391,478
Interest paid		(1,322)	(43,082)
Interest received		23,676	21,219
Tax paid		24,792	(23,069)
Net cash (used in)/from operating activities		(468,047)	346,546
Cash flows from investing activities			
Purchase of tangible assets		(5,970)	(196,135)
Purchase of intangible assets		(19,335)	-
Net cash used in investing activities		(25,305)	(196,135)
Cash flows from financing activities			
Proceeds from borrowings		685,000	-
Equity dividends paid		-	(32,700)
Net cash from/(used in) financing activities		685,000	(32,700)
Net increase/(decrease) in cash and cash equivalents		191,648	117,711
Cash and cash equivalents at beginning of year	17	580,098	462,387
Cash and cash equivalents at end of year	17	771,746	580,098

1. General information

The company is a private company limited by shares, registered in England. The address of the registered office is 15-19 Cavendish Place, London, W1G 0DD.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The Triennial review 2017 amendments to the standard have been early adopted.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

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

Going concern

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for a long or indefinite periods of time. In the UK this began on 23rd March 2020. Measures taken to control the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise the economic condition. M2M Limited is likely to be affected in the form of loss of income, however this will not significantly impact the entity's position.

The company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central banks responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

The directors, having undertaken various assessments, are of the opinion that the company is a going concern.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to profit or loss.

Operating leases

Rentals applicable to operating leases where subsequently all the benefits and risk of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at a revalued amount, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Software	- 25%	straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	25%	reducing balance
Fittings fixtures and equipment	-	25%	reducing balance

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets or either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2020	2019
	£	£
Sale of goods	29,773,841	34,575,842

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2020	2019
	£	£
UK	23,501,078	22,230,196
Europe	4,835,456	10,245,858
Rest of the World	1,437,307	2,099,788
	29,773,841	34,575,842

5. Operating profit/loss

Operating profit/loss is stated after charging/(crediting):

	2020	2019
	£	£
Amortisation of intangible assets	2,144	-
Depreciation of tangible assets	64,234	54,304
Impairment of trade debtors	56,717	18,925
Foreign exchange differences	10,846	5,007
Fees payable for the audit of the financial statements	23,295	25,000

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020	2019
Administrative staff	4	4
Sales	16	16
	20	20

The aggregate payroll costs incurred during the year were:

	2020	2019
	£	£
Wages and salaries	630,132	679,603
Social security costs	63,539	73,264
Other pension costs	17,918	20,674
	711,589	773,541

7. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2020	2019
	£	£
Remuneration	85,000	60,000

8. Other interest receivable and similar income

	2020	2019
	£	£
Loans and receivables	22,911	19,908
Bank deposits	765	1,311
	23,676	21,219

9. Interest payable and similar expenses

	2020	2019
	£	£
Bank loans and overdrafts	1,242	718
Other loans made to the company:		
Factoring loans	-	41,849
Other interest payable and similar expenses	80	515
	1,322	43,082

10. Tax on profit/loss

Major components of tax income

	2020	2019
	£	£
Current tax:		
UK current tax expense/income	8,499	(36,273)
Deferred tax:		
Origination and reversal of timing differences	(10,707)	27,391
Tax on profit/loss	(2,208)	(8,882)

Reconciliation of tax income

The tax assessed on the profit/loss for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

	2020	2019
	£	£
Profit/(loss) before taxation	105,535	(186,999)
Profit/(loss) multiplied by rate of tax	20,052	(35,530)
Effect of expenses not deductible for tax purposes	2,636	46,383
Effect of capital allowances and depreciation	11,115	(27,391)
Utilisation of tax losses	(25,304)	32,960
Unrelieved tax losses	-	(25,304)
Deferred Taxation	(10,707)	-
Tax on profit/loss	(2,208)	(8,882)

11. Earnings per share

Basic and diluted earnings/(loss) per share

	2020	2019
Basic and diluted earnings/(loss) per share from continuing operations (pence per share)	3.04	(5.02)

The earnings/(loss) and weighted average number of shares used in the calculation of basic and diluted earnings/(loss) per share are as follows:

	2020	2019
	£	£
Profit/(loss) for the year attributable to the owners of the company	107,743	(178,117)

	2020	2019
	No	No
Weighted average number of ordinary shares in issue	35,500	35,500

12. Dividends

Equity dividends

	2020	2019
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	-	32,700

13. Intangible assets

	Software	Total
	£	£
Cost		
At 1 January 2020	-	-
Additions from internal developments	19,335	19,335
At 31 December 2020	19,335	19,335
Amortisation		
At 1 January 2020	-	-
Charge for the year	2,144	2,144
At 31 December 2020	2,144	2,144
Carrying amount		
At 31 December 2020	17,191	17,191
At 31 December 2019	-	-

14. Tangible assets

	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 January 2020	62,435	770,483	832,918
Additions	-	5,970	5,970
At 31 December 2020	62,435	776,453	838,888
Depreciation			
At 1 January 2020	62,047	516,520	578,567
Charge for the year	97	64,137	64,234
At 31 December 2020	62,144	580,657	642,801
Carrying amount			
At 31 December 2020	291	195,796	196,087
At 31 December 2019	388	253,963	254,351

15. Stocks

	2020	2019
	£	£
Raw materials	3,129,145	3,562,029

16. Debtors

	2020	2019
	£	£
Trade debtors	2,969,914	4,510,138
Prepayments and accrued income	322,371	674,557
Other debtors	1,138,836	1,457,955
	4,431,121	6,642,650

17. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	771,746	584,429
Bank overdrafts	-	(4,331)
	771,746	580,098

18. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts	-	4,331
Trade creditors	3,133,256	5,763,562
Accruals and deferred income	79,859	26,788
Corporation tax	38,343	5,052
Social security and other taxes	145,638	16,765
Other creditors	2,075,388	2,936,189
	5,472,484	8,752,687

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

	2020	2019
	£	£
Other creditors	685,000	-

20. Provisions

	Deferred tax (note 21)	Total
	£	£
At 1 January 2020	46,310	46,310
Charges against provisions	(10,707)	(10,707)
At 31 December 2020	35,603	35,603

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020	2019
	£	£
Included in provisions (note 20)	35,603	46,311

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020	2019
	£	£
Accelerated capital allowances	35,603	46,311

22. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £17,918 (2019: £20,674).

23. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No	£	No	£
Ordinary shares shares of £ 1.00 each	35,500	35,500	35,500	35,500

24. Reserves

Reserves at the year end of £2,316,703 (2019: £2,208,960) consist entirely of retained earnings.

25. Analysis of changes in net debt

	At 1 January 2020	Cash flows	At 31 December 2020
	£	£	£
Cash and cash equivalents	584,429	187,317	771,746
Bank overdrafts	(4,331)	4,331	-
Debt due after one year	-	(685,000)	(685,000)
	580,098	(493,352)	86,746

26. Operating leases

The company as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Not later than 1 year	51,040	76,560
Later than 1 year and not later than 5 years	-	51,040
	51,040	127,600

The leasing commitment represents rental payable for the business premises, 4th Floor, Hanover Place, 8 Ravensbourne Road, Bromley, BR1 1HP.

27. Directors advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

2020

	Balance brought forward	Advances /(credits) to the directors	Balance o/standing
	£	£	£
G. V. Mitchell	714,462	76,285	790,747

2019

	Balance brought forward	Advances /(credits) to the directors	Balance o/standing
	£	£	£
G. V. Mitchell	597,503	116,959	714,462

28. Related party transactions

The company paid dividends of £nil (2019: £32,700) to Mr G.V. Mitchell and Mrs J.M. Mitchell in their capacity as shareholders. As at 31 December 2020, G V Mitchell had an outstanding directors' loan of £790,747 payable to the company. Interest payable on the loan balance during the year was £22,911.

29. Controlling party

The company is controlled by Mr G.V.Mitchell by virtue of his holdings of 80% of the issued share capital.