Company registration number: 03431339

M2M Limited

Financial statements

31 December 2019

M2M Limited

Contents

M2M Limited

Directors and other information

Director	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 Seagate with their Maxtor brand of internal and external hard drives as well as Verbatim and Lexar, who also manufacture a range of external peripheral storage devices based on Nand Flash and HDD Storage technology.

The component business is traditionally a high volume low margin commodity business for M2M and is subject to pricing, supply and demand fluctuations. During 2019 prices and demand decreased on both Dram Memory and SSD's. The price erosion in 2019 was significant, Client and Enterprise SSD's down by some 60-70% in some cases up until December when we saw some pricing increases due to increased demand in worldwide Datacentres.

With decreased demand in SSD's and DRAM we saw severe price erosion in the second half of 2018, which continued throughout 2019 on all Memory Products until December 2019. With the severe drop in SSD and DRAM pricing to move the inventory we had to make Inventory write downs in line with market pricing. This impacted M2M's turnover and erosion in gross margins and operating results it was important that we took these decisions to move the inventory.

During 2019, M2M's move into the Enterprise Storage business offering a range of storage solutions and software did result into some major wins into the online gaming, and cloud storage sectors. We will continue to focus on our higher Margin Enterprise Components and Storage solutions business this is an area of large growth. We saw this growth to emerge and prices increase on a worldwide basis in Memory Dram and SSD products late in 2019 which is forecasted to continue into 2020. This was driven by a large increase in demand in the large Hyper Scalers Cloud Datacentres such Amazon (AMS Cloud), Facebook, Google as prime examples.

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 Europe we have seen some major currency fluctuations which has impacted the business in 2019. This will continue to be volatile into 2020 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 and flash business is a classic supply and demand model that saw some significant price erosion in 2019. 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 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 2019 with the volatility of the market we did experience a number of bad debts but 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 2019 £584,429 (2018: £462,387). 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.

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 product 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 forecast, 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 a continuing strengthening of the customer base together with continued expansion of the product mix will enable company growth. 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 2020. We became aware of the news of the emerging COVID-19 pandemic in China that could potentially see many manufactures 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 32% to £34.6m, which considering the market conditions 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, 45% Storage and 20% Enterprise products. Gross profit margins were 4.3%. This was driven by increased shipping and logistics costs, inventory write downs, as well as a trading volumes at lower gross margins. Losses before tax are £186,999. This was impacted by increased Inventory write-downs in line with market price erosion, bad debts as well as a lower operating margin. Net assets decreased by £210,817 in comparison to 2018.

Strategic report (continued)
Year ended 31 December 2019

This report was approved by the board of directors on 23 December 2020 and signed on behalf of the board by:

G. V. Mitchell
Director

Director's report
Year ended 31 December 2019

The director presents his report and the financial statements of the company for the year ended 31 December 2019.

Director
The director who served the company during the year was as follows:

G. V. Mitchell

Dividends
Particulars of recommended dividends are detailed in note 13 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.

Director's responsibilities statement
The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him 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 23 December 2020 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 2019

Opinion
We have audited the financial statements of M2M Limited (the 'company') for the year ended 31 December 2019 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 2019 and of its loss 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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 director's 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 director's 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 director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

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 director.
- Conclude on the appropriateness of the director's 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.

Independent auditor's report to the members of M2M Limited (continued) Year ended 31 December 2019

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.

Narendrakumar Mistry FCA (Senior Statutory Auditor)

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

23 December 2020

M2M Limited

Statement of income and retained earnings
Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	34,575,842	50,653,237
Cost of sales		(33,095,672)	(48,618,064)
Gross profit		1,480,170	2,035,173
Administrative expenses		(1,645,306)	(2,909,950)
Other operating income	5	-	1,133,080
Operating (loss)/profit	6	(165,136)	258,303
Other interest receivable and similar income	9	21,219	17,197
Interest payable and similar expenses	10	(43,082)	(91,978)
(Loss)/profit before taxation		(186,999)	183,522
Tax on (loss)/profit	11	8,882	(38,603)
(Loss)/profit for the financial year and total comprehensive income		(178,117)	144,919
Dividends declared and paid or payable during the year	13	(32,700)	(53,000)
Retained earnings at the start of the year		2,419,777	2,327,858
Retained earnings at the end of the year		2,208,960	2,419,777
Earnings per share	12		
Basic and diluted earnings per share (pence per share)		(5.02)	4.08

All the activities of the company are from continuing operations.

The notes on pages 13 to 22 form part of these financial statements.

M2M Limited

Statement of financial position
31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	14	254,350		112,519	
			254,350		112,519
Current assets					
Stocks	15	3,562,029		2,300,240	
Debtors	16	6,642,650		5,262,889	
Cash at bank and in hand		584,429		462,387	
		10,789,108		8,025,516	
Creditors: amounts falling due within one year	18	(8,752,687)		(5,663,838)	
Net current assets			2,036,421		2,361,678
Total assets less current liabilities			2,290,771		2,474,197
Provisions for liabilities	19		(46,311)		(18,920)
Net assets			2,244,460		2,455,277
Capital and reserves					
Called up share capital	22		35,500		35,500
Profit and loss account	23		2,208,960		2,419,777
Shareholders funds			2,244,460		2,455,277

These financial statements were approved by the board of directors and authorised for issue on 23 December 2020, and are signed on behalf of the board by:

G. V. Mitchell
Director

Company registration number: 03431339

The notes on pages 13 to 22 form part of these financial statements.

M2M Limited

Statement of cash flows
Year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
(Loss)/profit for the financial year		(178,117)	144,919
Adjustments for:			
Depreciation of tangible assets		54,304	35,187
Other interest receivable and similar income		(21,219)	(17,197)
Interest payable and similar expenses		43,082	91,978
Tax on loss/profit		(8,882)	38,603
Accrued expenses/(income)		(7,315)	547
Changes in:			
Stocks		(1,261,789)	1,981,154
Trade and other debtors		(1,379,761)	3,172,289
Trade and other creditors		3,151,175	(5,277,075)
Cash generated from operations		391,478	170,405
Interest paid		(43,082)	(91,978)
Interest received		21,219	17,197
Tax paid		(23,069)	(27,605)
Net cash from operating activities		346,546	68,019
Cash flows from investing activities			
Purchase of tangible assets		(196,135)	(56,278)
Net cash used in investing activities		(196,135)	(56,278)
Cash flows from financing activities			
Equity dividends paid		(32,700)	(53,000)
Net cash used in financing activities		(32,700)	(53,000)
Net increase/(decrease) in cash and cash equivalents		117,711	(41,259)
Cash and cash equivalents at beginning of year	17	462,387	503,646
Cash and cash equivalents at end of year	17	580,098	462,387

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 2019 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.

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:

	2019	2018
	£	£
Sale of goods	34,575,842	50,653,237

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:

	2019	2018
	£	£
UK	22,230,196	26,054,203
Europe	10,245,858	12,747,012
Rest of the World	2,099,788	11,852,022
	34,575,842	50,653,237

5. Other operating income

	2019	2018
	£	£
Insurance claims receivable	-	1,133,080

6. Operating loss/profit

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

	2019	2018
	£	£
Depreciation of tangible assets	54,304	35,187
Impairment of trade debtors	18,925	1,168,800
Foreign exchange differences	5,007	164,947
Fees payable for the audit of the financial statements	25,000	17,600

7. Staff costs

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

	2019	2018
Administrative staff	4	4
Sales	16	14
	20	18

The aggregate payroll costs incurred during the year were:

	2019	2018
	£	£
Wages and salaries	679,603	677,845
Social security costs	73,264	73,235
Other pension costs	20,674	11,583
	773,541	762,663

8. Directors remuneration

The director's aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	60,000	60,000

9. Other interest receivable and similar income

	2019	2018
	£	£
Loans and receivables	19,908	15,438
Bank deposits	1,311	1,694
Other interest receivable and similar income	-	65
	21,219	17,197

10. Interest payable and similar expenses

	2019	2018
	£	£
Bank loans and overdrafts	718	5,124
Other loans made to the company:		
Factoring loans	41,849	85,548
Other interest payable and similar expenses	515	1,306
	43,082	91,978

11. Tax on loss/profit

Major components of tax income/expense

	2019	2018
	£	£
Current tax:		
UK current tax income/expense	(36,273)	32,960
Deferred tax:		
Origination and reversal of timing differences	27,391	5,643
Tax on loss/profit	(8,882)	38,603

Reconciliation of tax income/expense

The tax assessed on the loss/profit for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

	2019	2018
	£	£
(Loss)/profit before taxation	(186,999)	183,522
(Loss)/profit multiplied by rate of tax	(35,530)	34,869
Effect of expenses not deductible for tax purposes	46,383	8,280
Effect of capital allowances and depreciation	(27,391)	(4,546)
Utilisation of tax losses	32,960	-
Unrelieved tax losses	(25,304)	-
Tax on loss/profit	(8,882)	38,603

12. Earnings per share

Basic and diluted earnings/(loss) per share

	2019	2018
Basic and diluted earnings/(loss) per share from continuing operations (pence per share)	(5.02)	4.08

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

	2019	2018
	£	£
(Loss)/profit for the year attributable to the owners of the company	(178,117)	144,919

	2019	2018
	No	No
Weighted average number of ordinary shares in issue	35,500	35,500

13. Dividends

Equity dividends

	2019	2018
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	32,700	53,000

14. Tangible assets

	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 January 2019	62,435	574,348	636,783
Additions	-	196,135	196,135
At 31 December 2019	62,435	770,483	832,918
Depreciation			
At 1 January 2019	61,917	462,347	524,264
Charge for the year	130	54,174	54,304
At 31 December 2019	62,047	516,521	578,568
Carrying amount			
At 31 December 2019	388	253,962	254,350
At 31 December 2018	518	112,001	112,519

15. Stocks

	2019	2018
	£	£
Raw materials	3,562,029	2,300,240

16. Debtors

	2019	2018
	£	£
Trade debtors	4,510,138	3,910,108
Prepayments and accrued income	674,557	319,359
Other debtors	1,457,955	1,033,422
	6,642,650	5,262,889

17. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	580,098	462,387

18. Creditors: amounts falling due within one year

	2019	2018
	£	£
Bank loans and overdrafts	4,331	-
Trade creditors	5,763,562	2,541,007
Accruals and deferred income	26,788	34,103
Corporation tax	5,052	64,394
Social security and other taxes	16,765	20,216
Other creditors	2,936,189	3,004,118
	8,752,687	5,663,838

19. Provisions

	Deferred tax (note 20)	Total
	£	£
At 1 January 2019	18,920	18,920
Additions	27,391	27,391
At 31 December 2019	46,311	46,311

20. Deferred tax

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

	2019	2018
	£	£
Included in provisions (note 19)	46,311	18,920

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

	2019	2018
	£	£
Accelerated capital allowances	46,311	18,920

21. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £20,674 (2018: £11,583).

22. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No	£	No	£
Ordinary shares shares of £ 1.00 each	35,500	35,500	35,500	35,500

23. Reserves

Reserves at the year end of £2,208,961 (2018: £2,419,777) consist entirely of retained earnings.

24. Analysis of changes in net debt

	At 1 January 2019	Cash flows	At 31 December 2019
	£	£	£
Cash and cash equivalents	462,387	122,042	584,429
Bank overdrafts	-	(4,331)	(4,331)
	462,387	117,711	580,098

25. Operating leases

The company as lessee

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

	2019	2018
	£	£
Not later than 1 year	76,560	76,560
Later than 1 year and not later than 5 years	51,040	127,600
	127,600	204,160

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

26. Directors advances, credits and guarantees

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

2019

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

2018

	Balance brought forward	Advances /(credits) to the director	Balance o/standing
	£	£	£
G. V. Mitchell	500,782	96,721	597,503

27. Related party transactions

The company paid dividends of £32,700 (2018: £53,000) to Mr G.V. Mitchell and Mrs J.M. Mitchel in their capacity as shareholders. As at 31 December 2019, G V Mitchell had an outstanding directors' loan of £714,462 payable to the company. Interest payable on the loan balance during the year was £19,908.

28. Controlling party

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