COMPANY REGISTRATION NUMBER: 03552674

Phoenix Steel Limited

Financial Statements

For the year ended

31 March 2018

MITCHELLS LIMITED
Chartered accountant & statutory auditor
Swallow House
Parsons Road
Washington
Tyne & Wear
NE37 1EZ

Phoenix Steel Limited

Financial Statements

Year ended 31 March 2018

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Phoenix Steel Limited

Officers and Professional Advisers

The board of directors	Mr J Mullen Mr I Fuesdale Mr V Conroy Mr P Shiels
Company secretary	Mr I Fuesdale
Registered office	Amos Ayre Place Simonside Industrial Estate South Shields Tyne & Wear NE34 9PB
Accountants	Debere Limited Chartered Accountants Swallow House Parsons Road Washington Tyne and Wear NE37 1EZ
Auditor	Mitchells Limited Chartered accountant & statutory auditor Swallow House Parsons Road Washington Tyne & Wear NE37 1EZ
Bankers	Lloyds Bank plc 102 Grey Street Newcastle upon Tyne Tyne and Wear NE99 1SL

The directors present their strategic report for the year ended 31 March 2018.

Principal activities and business review

The principal activity of the company in the year under review was that of steel stockholders.

It has been a satisfying year for our company with continued growth in sales plus we remained profitable even though we are still adapting the facilities and procedures to accommodate and compliment the newer up dated equipment at our new premises.

Although we anticipate 2019 - 2020 to be challenging because of influences which are outside our control (Brexit is effecting business confidence plus a major factor is the steel supply route which is being compromised, as the usual supply chain is being affected because of restrictions / quota tariffs and subsequent potential tax increases) we still feel quite optimistic that, barring any major developments in the market, we will not only maintain business levels but hopefully will continue to grow, albeit on a slower scale, than in recent years.

Our relocation to the new site is now complete with all major modifications finalised so we do not expect to have any major outlay in the short to medium term.

With the new equipment running well we feel the company is now running more efficiently and allows us additional production capacity to react to our customers' more urgent steel requirements which allows us to boast a service second to none. It is also our intention to continue our policy of continued internal investment to help maintain and improve the services we provide.

Key Performance Indicators

Gross profit margin - 2018: 13.6%; 2017: 13.8%

Net profit margin - 2018: 2.3%; 2017: 1.4%

Current ratio - 2018: 1.64; 2017: 1.65

Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and monies advanced from the directors. The management's objectives are to:

- retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;

- minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and

- match the repayment schedule of any external borrowings with the expected future cash flows expected to arise from the company's trading activities.

As all of the company's surplus funds are invested in sterling bank accounts, we believe there is no price risk.

All normal banking arrangements are with Lloyds Bank plc and we believe our choice of bank minimises any credit risk. The company also relies on the support of the directors from time to time through the use of the directors' current accounts. Again we believe this minimises any credit risk.

Principal risk and uncertainties

As for many companies of our size, the business environment in which we operate continues to be challenging. With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen events outside of our control. However, we will continue to show flexibility and respond to market conditions and opportunities as they arise. Management also reviews these risks and appropriate processes are put in place to monitor and mitigate them. The key business risks affecting the company are set out below.

Credit risk

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

The company's principal financial assets are bank balances and cash, trade and other debtors. The company's credit risk is primarily attributable to its trade debtors.

Credit Insurance is in place for over 90% of trade debtors.

The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because of the extensive customer database.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company primarily uses it's available cash in the bank.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate with its current working capital and will not require, in the short to medium term, any bank borrowings.

Competition

The competition consists of numerous steel stockholders both in the local area plus further afield. There is always a threat of losing customer orders, primarily on price, however by providing a customer focused service, an extensive stock range plus a quality service, we strive to keep this threat to a minimum.

This report was approved by the board of directors on 5 October 2018 and signed on behalf of the board by:

Mr J Mullen
Director

The directors present their report and the financial statements of the company for the year ended 31 March 2018.

Directors

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

Mr J Mullen
Mr I Fuesdale
Mr V Conroy
Mr P Shiels

Dividends

Particulars of recommended dividends are detailed in note 14 to the financial statements.

Disclosure of information in the strategic report

Please refer to the strategic report on pages 2 to 4 of these financial statements for a review of the company's performance for the year and its key performance indicators, together with the company's financial risk management objectives and policies, and the principal risks and uncertainties facing the business.

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;
- 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.

This report was approved by the board of directors on 5 October 2018 and signed on behalf of the board by:

Mr J Mullen
Director

Opinion

We have audited the financial statements of Phoenix Steel Limited (the 'company') for the year ended 31 March 2018 which comprise the income statement, statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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.

Mr J Cheesman FCA (Senior Statutory Auditor)

For and on behalf of
Mitchells Limited
Chartered accountant & statutory auditor
Swallow House
Parsons Road
Washington
Tyne & Wear
NE37 1EZ

5 October 2018

Phoenix Steel Limited

Income Statement

Year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	10,562,153	8,553,289
Cost of sales		9,124,393	7,371,280
Gross profit		1,437,760	1,182,009
Administrative expenses		1,206,863	1,079,260
Other operating income	5	12,837	27,004
Operating profit	6	243,734	129,753
Income from other fixed asset investments	10	411	4,487
Other interest receivable and similar income	11	96	320
Interest payable and similar expenses	12	2,488	15,133
Profit before taxation		241,753	119,427
Tax on profit	13	54,886	9,829
Profit for the financial year and total comprehensive income		186,867	109,598
Dividends paid and payable	14	(105,562)	(107,865)
Retained earnings at the start of the year		3,613,153	3,611,420
Retained earnings at the end of the year		3,694,458	3,613,153

All the activities of the company are from continuing operations.

The notes on pages 14 to 26 form part of these financial statements.

Phoenix Steel Limited

Statement of Financial Position

31 March 2018

	Note	2018 £	2018 £	2017 £
Fixed assets				
Tangible assets	15		3,242,981	*3,274,059*
Investments	16		50,000	*50,000*
			3,292,981	*3,324,059*
Current assets				
Stocks	17	1,485,349		*1,276,256*
Debtors	18	2,484,842		*2,267,375*
Cash at bank and in hand		700,093		*464,990*
		4,670,284		*4,008,621*
Creditors: amounts falling due within one year	19	(2,846,291)		*(2,427,736)*
Net current assets			1,823,993	*1,580,885*
Total assets less current liabilities			5,116,974	*4,904,944*
Creditors: amounts falling due after more than one year	20		(627,590)	*(503,166)*
Provisions				
Taxation including deferred tax	22	(383,085)		*(365,947)*
Government grant	22	(116,762)		*(127,599)*
			(499,847)	*(493,546)*
Net assets			3,989,537	*3,908,232*
Capital and reserves				
Called up share capital	26		138,275	*138,275*
Share premium account	27		156,804	*156,804*
Profit and loss account	27		3,694,458	*3,613,153*
Shareholders funds			3,989,537	*3,908,232*

These financial statements were approved by the board of directors and authorised for issue on 5 October 2018, and are signed on behalf of the board by:

Mr J Mullen
Director

Company registration number: 03552674

The notes on pages 14 to 26 form part of these financial statements.

Phoenix Steel Limited

Statement of Cash Flows

Year ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	**186,867**	*109,598*
Adjustments for:		
Depreciation of tangible assets	**283,874**	*170,689*
Government grant income	**(10,837)**	*(11,928)*
Income from other fixed asset investments	**(411)**	*(4,487)*
Other interest receivable and similar income	**(96)**	*(320)*
Interest payable and similar expenses	**2,488**	*15,133*
(Gains)/loss on disposal of tangible assets	**(48,210)**	*7,049*
Tax on profit	**54,886**	*9,829*
Accrued expenses/(income)	**16,329**	*(17,349)*
Changes in:		
Stocks	**(209,093)**	*(154,037)*
Trade and other debtors	**(217,467)**	*(755,501)*
Trade and other creditors	**312,568**	*569,372*
Provisions and employee benefits	**(10,837)**	*(11,929)*
Cash generated from operations	**360,061**	*(73,881)*
Interest paid	**(2,488)**	*(15,133)*
Interest received	**96**	*320*
Tax paid	**–**	*(384)*
Net cash from/(used in) operating activities	**357,669**	*(89,078)*
Cash flows from investing activities		
Purchase of tangible assets	**(315,621)**	*(631,458)*
Proceeds from sale of tangible assets	**111,035**	*18,980*
Dividends received	**411**	*4,487*
Net cash used in investing activities	**(204,175)**	*(607,991)*
Cash flows from financing activities		
Proceeds from borrowings	**201,632**	*(19,867)*
Proceeds from loans from group undertakings	**32,640**	*4,350*
Government grant income	**10,837**	*11,928*
Payments of finance lease liabilities	**(57,938)**	*254,207*
Dividends paid	**(105,562)**	*(107,865)*
Net cash from financing activities	**81,609**	*142,753*
Net increase/(decrease) in cash and cash equivalents	**235,103**	*(554,316)*
Cash and cash equivalents at beginning of year	**464,990**	*1,019,306*
Cash and cash equivalents at end of year	**700,093**	*464,990*

The notes on page 14 to 26 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Amos Ayre Place, Simonside Industrial Estate, South Shields, Tyne & Wear, NE34 9PB.

2. Statement of compliance

The individual financial statements of Phoenix Steel Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

General Information

The company is a private company limited by shares and is incorporated and domiciled in England.

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 measured at fair value through profit or loss.

Investments

Investments are stated at cost.

Dividends are brought into the profit and loss account when receivable.

Going concern

The company meets its day-today working capital requirements through its bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. After making enquiries, 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.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

3. **Accounting policies** *(continued)*

Creditors

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party ant the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement after following for any trade discounts due.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

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 profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, 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.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and 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 equity, 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 equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity 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:

Leasehold property	-	5% straight line
Plant and machinery	-	10% reducing balance/10% straight line
Motor vehicles	-	20% reducing balance

The plant and machinery depreciation policy has been reviewed during the year and has been refined accordingly.

Where zero depreciation of the freehold property is appropriate

Freehold property is not depreciated in the financial statements as the directors believe the carrying value in the accounts accurately reflects the value of the property.

Impairment of fixed assets

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.

For the purposes of impairment testing, 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 largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

3. Accounting policies *(continued)*

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 stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

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.

3. Accounting policies *(continued)*

Provisions *(continued)*

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 as a finance cost in profit or loss in the period it arises.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

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 as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2018	2017
	£	£
Sale of goods	**10,562,153**	*8,553,289*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2018	2017
	£	£
Government grant income	10,837	*11,928*
Insurance reimbursement	2,000	*15,076*
	12,837	*27,004*

6. Operating profit

Operating profit or loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible assets	283,874	*170,689*
(Gains)/loss on disposal of tangible assets	(48,210)	*7,049*
Impairment of trade debtors	18,505	*18,165*

7. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	4,500	*4,500*

8. Staff costs

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

	2018	2017
	No.	*No.*
Production staff	38	*39*
Distribution staff	8	*9*
Administrative staff	14	*14*
Management staff	5	*5*
	65	*67*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018	2017
	£	£
Wages and salaries	1,362,901	*1,329,439*
Social security costs	137,974	*110,142*
Other pension costs	42,324	*43,415*
	1,543,199	*1,482,996*

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£	£
Remuneration	117,404	72,127
Company contributions to defined contribution pension plans	24,996	24,501
	142,400	96,628

The number of directors who accrued benefits under company pension plans was as follows:

	2018	2017
	No.	No.
Defined contribution plans	4	3

10. Income from other fixed asset investments

	2018	2017
	£	£
Income from other fixed asset investments	411	4,487

11. Other interest receivable and similar income

	2018	2017
	£	£
Interest on cash and cash equivalents	96	320

12. Interest payable and similar expenses

	2018	2017
	£	£
Interest on obligations under finance leases and hire purchase contracts	2,488	15,133

13. Tax on profit

Major components of tax expense

	2018	2017
	£	£
Current tax:		
UK current tax expense	37,748	–
Adjustments in respect of prior periods	–	384
Total current tax	37,748	384
Deferred tax:		
Origination and reversal of timing differences	17,138	9,445
Tax on profit	54,886	9,829

13. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%).

	2018	2017
	£	£
Profit on ordinary activities before taxation	**241,753**	*119,427*
Profit on ordinary activities by rate of tax	**45,933**	*23,885*
Adjustment to tax charge in respect of prior periods	–	*384*
Effect of expenses not deductible for tax purposes	**9,847**	*6,907*
Effect of capital allowances and depreciation	**(894)**	*(26,059)*
Unused tax losses	–	*2,793*
Group relief	–	*1,919*
Tax on profit	**54,886**	*9,829*

14. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018	2017
	£	£
Dividends on Ordinary shares	**34,632**	*34,633*
Dividends on B Ordinary shares	**36,298**	*36,298*
Dividends on C Ordinary shares	**34,632**	*36,934*
	105,562	*107,865*

15. Tangible assets

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2017	90,000	1,011,575	3,384,630	162,904	**4,649,109**
Additions	–	141,069	137,802	36,750	**315,621**
Disposals	–	–	(265,000)	–	**(265,000)**
At 31 March 2018	90,000	1,152,644	3,257,432	199,654	**4,699,730**
Depreciation					
At 1 April 2017	–	70,129	1,218,233	86,688	**1,375,050**
Charge for the year	–	40,604	230,179	13,091	**283,874**
Disposals	–	–	(202,175)	–	**(202,175)**
At 31 March 2018	–	110,733	1,246,237	99,779	**1,456,749**
Carrying amount					
At 31 March 2018	90,000	1,041,911	2,011,195	99,875	**3,242,981**
At 31 March 2017	90,000	941,446	2,166,397	76,216	*3,274,059*

On transition to FRS 102 the directors of the company opted to revalue the plant and machinery of the company as deemed cost per Section 35.10c. No independent valuer was used for this, however, the directors used external resources to estimate the value of the assets.

In the current year the depreciation accounting policy for plant and machinery has been changed to 10% (2017: 5%). The impact of this change in the accounting estimate of depreciation has increased the depreciation charge by £118,391.

16. Investments

	Other investments other than loans
	£
Cost	
At 1 April 2017 and 31 March 2018	**50,000**
Impairment	
At 1 April 2017 and 31 March 2018	**–**
Carrying amount	
At 31 March 2018	**50,000**
At 31 March 2017	*50,000*

17. Stocks

	2018	2017
	£	£
Raw materials and consumables	**1,485,349**	*1,276,256*

18. Debtors

	2018	2017
	£	£
Trade debtors	**2,461,974**	*2,260,189*
Prepayments and accrued income	**22,868**	*7,186*
	2,484,842	*2,267,375*

Short term debtors are measured at transaction price, less any impairment.

19. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	**2,458,123**	*2,141,592*
Amounts owed to group undertakings	**36,990**	*4,350*
Accruals and deferred income	**89,766**	*73,437*
Corporation tax	**37,748**	–
Social security and other taxes	**147,669**	*138,236*
Obligations under finance leases and hire purchase contracts	**63,431**	*45,793*
Director loan accounts	**1,632**	–
Other creditors	**10,932**	*24,328*
	2,846,291	*2,427,736*

Lloyds Bank plc holds fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures and fittings and plant and machinery.

Lombard North Central plc hold a fixed charge over certain items of plant and machinery.

Short term creditors are measured at the transaction price.

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

	2018	2017
	£	£
Obligations under finance leases and hire purchase contracts	**132,838**	*208,414*
Director loan accounts	**314,752**	*114,752*
Other creditors	**180,000**	*180,000*
	627,590	*503,166*

20. Creditors: amounts falling due after more than one year *(continued)*

Lloyds Bank plc holds fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures and fittings and plant and machinery.

Lombard North Central plc hold a fixed charge over certain items of plant and machinery.

Long term creditors are measured at the transaction price.

21. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2018	2017
	£	£
Not later than 1 year	65,919	65,919
Later than 1 year and not later than 5 years	142,825	203,252
	208,744	269,171
Less: future finance charges	(12,475)	(14,964)
Present value of minimum lease payments	196,269	254,207

22. Provisions

	Deferred tax (note 23)	Government grant	Total
	£	£	£
At 1 April 2017	365,947	127,599	493,546
Charge against provision	17,138	(10,837)	6,301
At 31 March 2018	383,085	116,762	499,847

23. Deferred tax

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

	2018	2017
	£	£
Included in provisions (note 22)	383,085	365,947

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

	2018	2017
	£	£
Accelerated capital allowances	236,745	221,971
Revaluation of tangible assets	146,340	146,340
Unused tax losses	–	(2,364)
	383,085	365,947

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £17,328 (2017: £18,914).

25. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2018	2017
	£	£
Recognised in other operating income:		
Government grants released to profit or loss	**10,837**	*11,928*

26. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	**110,619**	**110,619**	*110,619*	*110,619*
A Ordinary shares of £1 each	**1**	**1**	*1*	*1*
B Ordinary shares of £1 each	**1**	**1**	*1*	*1*
C Ordinary shares of £1 each	**27,654**	**27,654**	*27,654*	*27,654*
	138,275	**138,275**	*138,275*	*138,275*

Ordinary shares are classified as equity.

27. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

28. Operating leases

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

	2018	2017
	£	£
Not later than 1 year	**60,000**	*47,500*
Later than 1 year and not later than 5 years	**240,000**	*240,000*
Later than 5 years	**387,500**	*447,500*
	687,500	*735,000*

29. Directors' advances, credits and guarantees

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

	2018			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	**Balance outstanding**
	£	£	£	**£**
Mr J Mullen	(104,752)	(201,632)	–	**(306,384)**
Mr I Fuesdale	(10,000)	–	–	**(10,000)**
	(114,752)	(201,632)	–	**(316,384)**

	2017			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	*Balance outstanding*
	£	£	£	*£*
Mr J Mullen	(124,619)	–	19,867	*(104,752)*
Mr I Fuesdale	(10,000)	–	–	*(10,000)*
	(134,619)	–	19,867	*(114,752)*

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given. The amounts owed to directors are repayable within one year and one day.

30. Related party transactions

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2018	2017	**2018**	2017
	£	£	£	£
Entities with control, joint control or significant influence over the company	19,079	12,000	(36,990)	(4,350)
Entities with common ownership	–	–	(180,000)	(180,000)

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given. The amounts owed to entities with control are payable on demand and the amounts owed to entities with common ownership are repayable within one year and one day.

31. Controlling party

Phoenix Steel Limited is a wholly owned subsidiary of Phoenix Steel Holdings Limited, a company incorporated within the United Kingdom.