

REGISTERED NUMBER: 00488961 (England and Wales)

Strategic Report, Report of the Director and
Audited Financial Statements for the Year Ended 31 December 2019
for
VACULUG LIMITED

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Contents of the Financial Statements
for the Year Ended 31 December 2019

	Page
Company Information	1
Strategic Report	2
Report of the Director	4
Report of the Independent Auditors	5
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Statement of Cash Flows	11
Notes to the Financial Statements	12

VACULUG LIMITED

Company Information
for the Year Ended 31 December 2019

DIRECTOR:	H S Kandhari
REGISTERED OFFICE:	Gonerby Road Gonerby Hill Foot Grantham Lincolnshire NG31 8HE
REGISTERED NUMBER:	00488961 (England and Wales)
AUDITORS:	OAKS Bexley House (Suite 3) 77 Bexley High Street Bexley Kent DA5 1JX
SOLICITORS:	Aughton Ainsworth 2 Merchants Quay Manchester M50 3XR

Strategic Report
for the Year Ended 31 December 2019

The director presents his strategic report for the year ended 31 December 2019.

REVIEW OF BUSINESS

The turnover for the year was £20,355,081 (2018 £18,760,818) an increase of 08.49% for the year.

The operating profit, before tax was £299,440 (2018 £252,462) an increase of 18.61% for the year.

The company this year managed to increase its operating profits and retain another creditable level of gross profitability in 2019 against the continuing consolidation in the UK Tyre Market and rising raw material input costs. The company has reacted well to these changes by establishing new partners and with improved efficiency helping to offset cost pressures.

Further development in the company's fleet management systems continue to bear fruit in competing with the new tyre manufacturers, helping us to continue to add new fleet management contracts to our growing portfolio as well as renewing key long-term contracts.

Manufacturing quality remains key for the company and made further improvements through targeted investments in modern production and control systems. This has enabled us to boost productivity and quality to ensure we can maintain a competitive edge. All our manufacturing processes are controlled and audited to ISO Standards.

Our principal activity of re-treading of truck tyres, supported by a fleet management system enables the company to provide its customers with a fully integrated tyre solution, tailored to their specific needs whilst reducing the impact on the environment and offering a first class, cost-effective tyre management package. New products and services will be introduced to complement this strategy.

We aim to provide the best products and exceptional value for money for all our Customers, with the retained profits re-invested in product manufacturing initiatives and specific fleet management system developments. This strategy will support sales growth and protect profits ensuring further investments can be made to reduce unit costs, support innovation and maintain the company's position as the premier UK provider of single source tyre solutions.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's activities expose it to a number of financial risks:-

Cashflow risk - the company manages cashflow at all levels within the business and has more than adequate funding arrangement to manage variation in working capital via its invoice discounting facility.

Credit risk - the credit risk is primarily attributed to its trade receivables. The company has credit insurance for the majority of its debtors and works with many low risk council and other municipal customers. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.

Foreign Exchange Risk - This is minimised wherever possible by acquiring foreign currency which it holds as a cash balance and therefore hedges such exposure.

Price risk - as with the industry in general the company is exposed to the changing price of rubber and energy although where possible forward contracts are used to mitigate this exposure. Many of the company's customers are also under contract that allows this core, commodity driven price increase to be passed on to them at renewal.

Covid-19 - The directors have also considered the potential impact of the Covid-19 virus on the future viability of the company. At the date of preparing these financial statements, the full impact on the business of what are undoubtedly abnormal trading conditions cannot be quantified. This gives rise to material uncertainty which may or may not affect the going concern status of the company. The directors continue to take all available steps to maintain sufficient resources in order that the business can continue.

Strategic Report
for the Year Ended 31 December 2019

FUTURE DEVELOPMENT

On 23rd June 2016 the UK voted to leave the EU. This has led to a period of heightened uncertainty and market volatility. The company is reviewing the likely impact this may have and is examining its business model, risks and uncertainties accordingly. We do not expect any of the proposed changes will have a major impact on trading or profitability.

Despite the challenges faced in the year the Directors are more than satisfied with the overall financial performance and have the necessary resources available for the future investment needs over the coming period to continue to support a sustainable level of profit and seek to take advantage of any further business development opportunities as they arise.

ON BEHALF OF THE BOARD:



H S Kandhari - Director

9 October 2020

Report of the Director
for the Year Ended 31 December 2019

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the repair and reconditioning of tyres, the sale of tyres and equipment for tyre reconditioning and servicing, and the provision of comprehensive tyre management services to its fleet logistics and waste management customers.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS

H S Kandhari has held office during the whole of the period from 1 January 2019 to the date of this report.

Other changes in directors holding office are as follows:

T R Hercocock - resigned 24 December 2019

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director 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 of 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

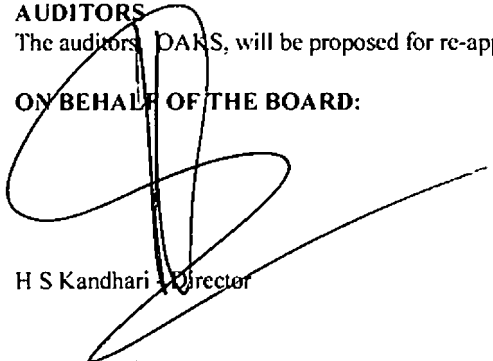
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

ON BEHALF OF THE BOARD:



H S Kandhari, Director

9 October 2020

Report of the Independent Auditors to the Members of
Vaculug Limited

Opinion

We have audited the financial statements of Vaculug Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

However, because not all future events or conditions can be predicated, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Vaculug Limited

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 director

As explained more fully in the Statement of Director's Responsibilities set out on page four, 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 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.

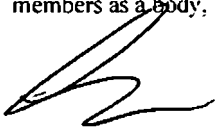
Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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



Owusu Karikari LLB (Hons) FCCA (Senior Statutory Auditor)
for and on behalf of OAKS
Bexley House (Suite 3)
77 Bexley High Street
Bexley
Kent
DA5 1JX

9 October 2020

VACULUG LIMITED (REGISTERED NUMBER: 00488961)**Statement of Comprehensive Income**
for the Year Ended 31 December 2019

	Notes	31.12.19 £	£	31.12.18 £	£
TURNOVER	3		20,355,081		18,760,818
Cost of sales			13,650,715		12,153,779
GROSS PROFIT			6,704,366		6,607,039
Distribution costs		2,041		64,044	
Administrative expenses		6,456,623		6,314,283	
			6,458,664		6,378,327
			245,702		228,712
Other operating income			53,738		23,750
OPERATING PROFIT	5		299,440		252,462
Pensions actuarial gain/(loss)	6		(8,000)		755,000
			291,440		1,007,462
Other finance income	20		28,000		-
			319,440		1,007,462
Interest payable and similar expenses	7	67,858		46,577	
Other finance costs	20	-		5,000	
			67,858		51,577
PROFIT BEFORE TAXATION			251,582		955,885
Tax on profit	8		-		-
PROFIT FOR THE FINANCIAL YEAR			251,582		955,885

The notes form part of these financial statements

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Statement of Financial Position
31 December 2019

	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Intangible assets	10		-		-
Tangible assets	11		1,801,427		2,071,893
Investments	12		4		4
Investment property	13		300,000		300,000
			<u>2,101,431</u>		<u>2,371,897</u>
CURRENT ASSETS					
Stocks	14	3,668,792		4,006,538	
Debtors	15	13,489,218		10,930,124	
Cash at bank		1,513,041		100,054	
		<u>18,671,051</u>		<u>15,036,716</u>	
CREDITORS					
Amounts falling due within one year	16	11,885,883		8,781,596	
NET CURRENT ASSETS			<u>6,785,168</u>		<u>6,255,120</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,886,599</u>		<u>8,627,017</u>
PENSION ASSET	20		<u>806,000</u>		<u>814,000</u>
NET ASSETS			<u><u>9,692,599</u></u>		<u><u>9,441,017</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		1,695,894		1,695,894
Share premium	19		38,533		38,533
Revaluation reserve	19		189,500		189,500
Capital redemption reserve	19		103,486		103,486
Retained earnings	19		7,665,186		7,413,604
SHAREHOLDERS' FUNDS			<u><u>9,692,599</u></u>		<u><u>9,441,017</u></u>

The financial statements were approved by the director and authorised for issue on 9 October 2020 and were signed by:



H S Kachhari - Director

The notes form part of these financial statements

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2018	1,655,894	6,457,719	27,733
Changes in equity			
Issue of share capital	40,000	-	10,800
Total comprehensive income	-	955,885	-
Balance at 31 December 2018	<u>1,695,894</u>	<u>7,413,604</u>	<u>38,533</u>
Changes in equity			
Total comprehensive income	-	251,582	-
Balance at 31 December 2019	<u><u>1,695,894</u></u>	<u><u>7,665,186</u></u>	<u><u>38,533</u></u>
	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 January 2018	189,500	103,486	8,434,332
Changes in equity			
Issue of share capital	-	-	50,800
Total comprehensive income	-	-	955,885
Balance at 31 December 2018	<u>189,500</u>	<u>103,486</u>	<u>9,441,017</u>
Changes in equity			
Total comprehensive income	-	-	251,582
Balance at 31 December 2019	<u><u>189,500</u></u>	<u><u>103,486</u></u>	<u><u>9,692,599</u></u>

The notes form part of these financial statements

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Statement of Cash Flows
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
Cash flows from operating activities			
Cash generated from operations	1	1,814,426	(1,508,000)
Interest paid		(58,925)	(37,422)
Interest element of hire purchase payments paid		(8,933)	(9,155)
Tax paid		-	(11,059)
Net cash from operating activities		<u>1,746,568</u>	<u>(1,565,636)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		<u>(277,371)</u>	<u>(620,283)</u>
Net cash from investing activities		<u>(277,371)</u>	<u>(620,283)</u>
Cash flows from financing activities			
Finance income		28,000	-
Capital repayments in year		(84,210)	(29,667)
Share issue		-	50,800
Net cash from financing activities		<u>(56,210)</u>	<u>21,133</u>
Increase/(decrease) in cash and cash equivalents		<u>1,412,987</u>	<u>(2,164,786)</u>
Cash and cash equivalents at beginning of year	2	100,054	2,264,840
Cash and cash equivalents at end of year	2	<u><u>1,513,041</u></u>	<u><u>100,054</u></u>

The notes form part of these financial statements

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Statement of Cash Flows
for the Year Ended 31 December 2019

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.12.19	31.12.18
	£	£
Profit before taxation	251,582	955,885
Depreciation charges	547,837	527,008
Pension actuarial gain/(loss)	8,000	(755,000)
Adjustment for pension funding	-	(496,000)
Payment on behalf of parent	(370,500)	(2,561,069)
Finance costs	67,858	51,577
Finance income	(28,000)	-
	<hr/>	<hr/>
	476,777	(2,277,599)
Decrease/(increase) in stocks	337,746	(811,991)
Increase in trade and other debtors	(2,188,594)	(2,370,556)
Increase in trade and other creditors	3,188,497	3,952,146
	<hr/>	<hr/>
Cash generated from operations	1,814,426	(1,508,000)
	<hr/>	<hr/>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	1,513,041	100,054
	<hr/>	<hr/>

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	100,054	2,264,840
	<hr/>	<hr/>

3. ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS

	At 1.1.19	Cash flow	At 31.12.19
	£	£	£
Net cash			
Cash at bank	100,054	1,412,987	1,513,041
	<hr/>	<hr/>	<hr/>
	100,054	1,412,987	1,513,041
	<hr/>	<hr/>	<hr/>
Debt			
Finance leases	(158,754)	84,210	(74,544)
	<hr/>	<hr/>	<hr/>
	(158,754)	84,210	(74,544)
	<hr/>	<hr/>	<hr/>
Total	(58,700)	1,497,197	1,438,497
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The notes form part of these financial statements

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. STATUTORY INFORMATION

Vaculug Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Preparation of consolidated financial statements

Group accounts have not been prepared as all of the subsidiaries do not trade and therefore their consolidation into group accounts would not be material for the purposes of giving a true and fair view.

Related party exemption

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

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Significant judgements and estimates

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

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

The key source of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

(i) Defined benefit pension scheme:

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trend. See note 21 for disclosures relating to the defined benefit pension scheme.

(ii) Inventory provision

The company repairs and reconditions tyres and is subject to changing consumer demands and economic trends. As a result it is necessary to consider the reconcilability of the cost of inventories and the associated provisioning required. Inventories are stated after provisions for impairment of £260,748 (2018 - £207,496). When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

(iii) Specific provisions

The company retains a six-month provision for the cost of casings received which are not paid for on receipt but may be claimed by the service provider in due course, and maintains a policy of retaining a provision of six months of undercharges of costs on the managed contracts. In the 2017 Statutory Accounts these provisions were reduced from six to three months but have been subsequently restored to the previously applied policy of six months for 2018 and 2019. The company also maintains a slow-moving stock provision providing fully against stock that has not been sold in the previous six months. In 2017 the provision was reduced from the calculated figure.

As per FRS 102 10.22, we have determined that it has not been practicable for us to restate the accounts for 2017 and 2018 due to:

- 1) We have not had enough time or resources to complete the accounts let alone restate the accounts as well, which can be demonstrated by the late filing date for the 2018 and 2019 accounts.
- 2) The legacy accounting system and processes were convoluted and have therefore reduced the efficiencies when preparing the accounts. These have since been remedied
- 3) The previous auditors have not been very compliant and have therefore not afforded us with the information required for the 2017 year in a timely manner further aggravating the inefficiencies in preparing the accounts.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue comprises the value excluding VAT of sale of goods and services. Tyre sales are recognised upon delivery to the customer, or upon collection by customer. Income from fixed price managed contracts are recognised in the period in which the services are rendered. Where the substance of managed contracts is considered to be long term contract, turnover represents the value of work done in year by reference to the stage of completion.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2007, is being amortised evenly over its estimated useful life of ten years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 20% on cost
Plant and machinery	- 12.5% on cost
Vehicles, fixtures and computer equipments	- at varying rates on cost

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Foreign currencies

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

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a non contributory pension scheme providing benefits based on final pensionable pay, a company personal pension plan and a stakeholder scheme. The assets of the scheme are held separately from those of the company in independently administered funds.

Contributions to the company personal pension plan and stakeholder scheme are charged to the income statement as incurred. Contribution to the company final salary scheme are charged in accordance with Section 28 'Employee benefits' of Financial Reporting Standard 102.

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	31.12.19	31.12.18
	£	£
United Kingdom	17,448,965	18,444,818
Europe	2,774,476	229,000
Canada	131,640	87,000
	<u>20,355,081</u>	<u>18,760,818</u>

4. EMPLOYEES AND DIRECTORS

	31.12.19	31.12.18
	£	£
Wages and salaries	3,483,217	3,691,209
Social security costs	360,622	375,454
Other pension costs	210,168	217,612
	<u>4,054,007</u>	<u>4,284,275</u>

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

	31.12.19	31.12.18
Directors and administration	11	12
Production and sales staff	118	124
	<u>129</u>	<u>136</u>

	31.12.19	31.12.18
	£	£
Directors' remuneration	<u>194,534</u>	<u>313,675</u>

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

	1	2
Money purchase schemes	<u>1</u>	<u>2</u>

5. OPERATING PROFIT

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

	31.12.19	31.12.18
	£	£
Hire of plant and machinery	192,011	202,109
Other operating leases	368,940	370,008
Depreciation - owned assets	547,837	527,008
Auditors' remuneration	19,000	15,500
Foreign exchange differences	<u>(28,904)</u>	<u>10,172</u>

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

6. EXCEPTIONAL ITEMS

	31.12.19	31.12.18
	£	£
Pensions actuarial gain/(loss)	<u>(8,000)</u>	<u>755,000</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.19	31.12.18
	£	£
Bank interest	58,925	37,422
Hire purchase	8,933	9,155
	<u>67,858</u>	<u>46,577</u>

8. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 December 2019 nor for the year ended 31 December 2018.

Reconciliation of total tax charge included in profit and loss

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

	31.12.19	31.12.18
	£	£
Profit before tax	<u>251,582</u>	<u>955,885</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	47,801	181,618
Effects of:		
Expenses not deductible for tax purposes	(1,034)	(2,958)
Income not taxable for tax purposes	-	(178,199)
Capital allowances in excess of depreciation	-	(461)
Depreciation in excess of capital allowances	5,145	-
Utilisation of tax losses	<u>(51,912)</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>

9. GOING CONCERN

The directors have also considered the potential impact of the Covid-19 virus on the future viability of the company. At the date of preparing these financial statements, the full impact on the business of what are undoubtedly abnormal trading conditions cannot be quantified. This gives rise to material uncertainty which may or may not affect the going concern status of the company. The directors continue to take all available steps to maintain sufficient resources in order that the business can continue.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

10. INTANGIBLE FIXED ASSETS

	Goodwill £	Patents & trademarks £	Totals £
COST			
At 1 January 2019			
and 31 December 2019	<u>940,514</u>	<u>93,000</u>	<u>1,033,514</u>
AMORTISATION			
At 1 January 2019			
and 31 December 2019	<u>940,514</u>	<u>93,000</u>	<u>1,033,514</u>
NET BOOK VALUE			
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

11. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Vehicles, fixtures and computer equipments £	Totals £
COST				
At 1 January 2019	450,135	9,336,970	3,120,538	12,907,643
Additions	<u>26,755</u>	<u>131,699</u>	<u>118,917</u>	<u>277,371</u>
At 31 December 2019	<u>476,890</u>	<u>9,468,669</u>	<u>3,239,455</u>	<u>13,185,014</u>
DEPRECIATION				
At 1 January 2019	329,515	7,909,130	2,597,105	10,835,750
Charge for year	<u>49,837</u>	<u>344,383</u>	<u>153,617</u>	<u>547,837</u>
At 31 December 2019	<u>379,352</u>	<u>8,253,513</u>	<u>2,750,722</u>	<u>11,383,587</u>
NET BOOK VALUE				
At 31 December 2019	<u>97,538</u>	<u>1,215,156</u>	<u>488,733</u>	<u>1,801,427</u>
At 31 December 2018	<u>120,620</u>	<u>1,427,840</u>	<u>523,433</u>	<u>2,071,893</u>

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

12. FIXED ASSET INVESTMENTS

	Shares in group undertaking £
COST	
At 1 January 2019	
and 31 December 2019	<u>62,855</u>
PROVISIONS	
At 1 January 2019	
and 31 December 2019	<u>62,851</u>
NET BOOK VALUE	
At 31 December 2019	<u>4</u>
At 31 December 2018	<u>4</u>

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Vaculug Technologies Limited

Registered office: Gonerby Road, Gonerby Hill Foot, Grantham, Lincolnshire NG31 8HE

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	100.00		
		31.12.19	31.12.18
		£	£
Aggregate capital and reserves		<u>1</u>	<u>1</u>

Vacu-Lug Tyres Limited

Registered office: Gonerby Road, Gonerby Hill Foot, Grantham, Lincolnshire NG31 8HE

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	100.00		
		31.12.19	31.12.18
		£	£
Aggregate capital and reserves		50,000	50,000
Loss for the year		<u>(50,000)</u>	<u>(50,000)</u>

Grumac Limited

Registered office: Gonerby Road, Gonerby Hill Foot, Grantham, Lincolnshire NG31 8HE

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	100.00		
		31.12.19	31.12.18
		£	£
Aggregate capital and reserves		<u>1</u>	<u>1</u>

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

12. FIXED ASSET INVESTMENTS - continued

The Tyre Equipment Company Limited

Registered office: Gonerby Road, Gonerby Hill Foot, Grantham, Lincolnshire NG31 8HE

Nature of business: Dormant

Class of shares:	% holding		
Ordinary	100.00		
		31.12.19	31.12.18
		£	£
Aggregate capital and reserves		1	1
		=====	=====

Vacu-Lug Industrial Tyres Limited

Registered office: Gonerby Road, Gonerby Hill Foot, Grantham, Lincolnshire NG31 8HE

Nature of business: Dormant

Class of shares:	% holding		
Ordinary	100.00		
		31.12.19	31.12.18
		£	£
Aggregate capital and reserves		2	2
		=====	=====

13. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2019 and 31 December 2019	300,000
	=====
NET BOOK VALUE	
At 31 December 2019	300,000
	=====
At 31 December 2018	300,000
	=====

Investment property was subject to valuation by Harrison Chartered Surveyors, professionally qualified independent valuers at 20 June 2012 on open market basis. The method and significant assumption used to ascertain the fair value of £300,000 (2018 - £300,000) are as follows:

In accordance with RICS valuation standard, the valuation was prepared having regard to market based evidence for similar properties sold in the local area, subject to the occupational lease. The directors, who are not professionally qualified valuers, are satisfied that the valuation at 31 December 2019 is not materially different.

14. STOCKS

	31.12.19	31.12.18
	£	£
Raw materials	289,576	327,264
Work-in-progress	226,419	304,068
Finished goods	3,152,797	3,375,206
	=====	=====
	3,668,792	4,006,538
	=====	=====

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Trade debtors	7,691,530	5,921,607
Amounts owed by group undertakings	2,931,569	2,561,069
Other debtors	2,866,119	2,447,448
	<u>13,489,218</u>	<u>10,930,124</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Hire purchase contracts (see note 17)	74,544	158,754
Trade creditors	2,991,669	2,978,909
Amounts owed to group undertakings	45	45
Social security and other taxes	442,832	558,795
Other creditors	4,281,869	2,227,261
Accruals and deferred income	4,094,924	2,857,832
	<u>11,885,883</u>	<u>8,781,596</u>

17. LEASING AGREEMENTS

Minimum lease payments under hire purchase fall due as follows:

	31.12.19	31.12.18
	£	£
Net obligations repayable:		
Within one year	<u>74,544</u>	<u>158,754</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.19	31.12.18
			£	£
1,649,887	Ordinary	£1.00	1,689,887	1,689,887
17,162	'A' Ordinary	£0.35	6,007	6,007
			<u>1,695,894</u>	<u>1,695,894</u>

19. RESERVES

	Retained earnings	Share premium	Revaluation reserve	Capital redemption reserve	Totals
	£	£	£	£	£
At 1 January 2019	7,413,604	38,533	189,500	103,486	7,745,123
Profit for the year	251,582				251,582
	<u>7,665,186</u>	<u>38,533</u>	<u>189,500</u>	<u>103,486</u>	<u>7,996,705</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

20. EMPLOYEE BENEFIT OBLIGATIONS

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Current service cost	-	-
Net interest from net defined benefit asset/liability	(28,000)	5,000
Past service cost	-	-
	<u>(28,000)</u>	<u>5,000</u>
Actual return on plan assets	<u>26,000</u>	<u>29,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Opening defined benefit obligation	7,423,000	8,589,000
Interest cost	252,000	209,000
Actuarial losses/(gains)	43,000	23,000
Benefits paid	(461,000)	(437,000)
Change of basis - assumptions	(262,000)	(961,000)
	<u>6,995,000</u>	<u>7,423,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Opening fair value of scheme assets	8,237,000	8,157,000
Contributions by employer	(1,000)	496,000
Expected return	280,000	204,000
Actuarial gains/(losses)	(254,000)	(175,000)
Benefits paid	(461,000)	(437,000)
Change of basis - assumptions	-	(8,000)
	<u>7,801,000</u>	<u>8,237,000</u>

VACULUG LIMITED (REGISTERED NUMBER: 00488961)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Actuarial gains/(losses)	(8,000)	755,000
	<u>(8,000)</u>	<u>755,000</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Corporate Bonds	7,507,000	-
Cash and Gilts	146,000	8,021,000
Insured pensioners	148,000	216,000
	<u>7,801,000</u>	<u>8,237,000</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31.12.19	31.12.18
Discount rate	3.00%	3.50%
Future pension increases	1.90%	2.10%
Inflation	2.90%	3.10%

21. ULTIMATE PARENT COMPANY

Queen's Road Capital Limited (incorporated in Hong Kong) is regarded by the director as being the company's ultimate parent company.

22. ULTIMATE CONTROLLING PARTY

The controlling party is Ms M K Kandhari.