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Company Registration No. 528385 (England and Wales)

C. BROWN & SONS (STEEL) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021



C. BROWN & SONS (STEEL) LIMITED

COMPANY INFORMATION

Directors	G P Brown Mrs S K Cheeseman N P Brown T G Brown M L C Brown J T Adkins A S Webberley Mr A J Cheeseman	(Appointed 29 June 2021)
Secretary	G P Brown	
Company number	528385	
Registered office	Cochrane House Pedmore Road Dudley West Midlands DY2 0RL	
Auditors	Price Pearson Finch House 28-30 Wolverhampton Street Dudley West Midlands DY1 1DB	
Business address	Cochrane House Pedmore Road Dudley West Midlands DY2 0RL	
Bankers	HSBC 1 Great Cornbow Halesowen West Midlands B63 3AD	

C. BROWN & SONS (STEEL) LIMITED

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C. BROWN & SONS (STEEL) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2021

The directors present their strategic report and financial statements for the year ended 31 May 2021.

Fair review of the business

As reported last year, the business was significantly affected by Covid in the final months of year ended May 2020. It was therefore a slow start in the early months of year ended May 2021 with low volumes and many employees remaining on furlough.

Gradually volumes improved and in tandem with this more of the workforce continued to return.

By the Autumn of 2020 the market was experiencing steel shortages with supply unable to catch up with improving demand. This led to rapid increases in the market price of steel and this trend continued well into 2021. Consequently, the company experienced significant margin growth. This filtered through to our bottom line with profits improving monthly.

The board are therefore pleased to report a Pre-Tax profit of £6.3 million which more than compensates for the previous year loss. Net assets grew as a result from £8.2 million to £13.8 million

The increase in steel prices was reflected in an expansion of working capital demand, but despite this, borrowings reduced by £1.4 million to £3.7 million. The improvement in gearing is well within the groups bank facilities and the business continues to be well funded.

As indicated above the market price continued to increase after May 2021. Although this has since stabilised the company continues to report strong margins and remains very profitable. There is some uncertainty regarding the future direction of steel prices but at the time of writing the board anticipates another good trading year. This will be reflected in relatively low levels of debt and a continued strengthening of the balance sheet.

Principal risks and uncertainties

The group recognises areas of risk to the business. The main areas of risk are considered to be the worldwide economic climate and the capacity of suppliers. Brexit continues to add a further level of uncertainty for the UK economy. The company looks to limit its business risk by diversifying its supplier base and expanding its customer base. In addition to this, uncertainties with regard to the market price of steel are managed by effective stock control. There is also credit risk associated with customer debts. These are mitigated by credit insurance.

Future developments

The main aims will be to build on the investments made in recent years. Development has been on hold during the Covid-19 crisis, but since the return to relative normality we have now started to re-invest in replacement and development capital.

C. BROWN & SONS (STEEL) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

Section 172, Companies Act 2006

This report sets out how the directors have had regard to the matters set out section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006. This requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

C Brown Services Limited is the parent company of the main operating company, C Brown & Sons (Steel) Limited. The shareholders of C Brown Services are Directors of both companies. C Brown & Sons (Steel) Limited also has two none- shareholder Directors.

The board meets on a regular basis to discuss strategic and operational matters. The Board is conscious of the impact its business decisions have on stakeholders as well as the wider impact on society.

The likely consequence of any decision in the long term

The board is mindful that certain decisions can have longer term consequences. Evaluation of proposals are based on a balance of meeting shorter term objectives and due consideration to the longer-term strategy.

The interests of the company's employees

The C Brown & Sons (Steel) Limited Board has regard to the interests of its employees in its decision making and engages with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees and prioritises the health, safety and wellbeing of its workforce.

The need to foster the company's business relationships with suppliers, customers and others

The C Brown & Sons (Steel) Limited Board has regard to stakeholder relationships in its decision making. Both customers and Suppliers are regarded with equal importance. The company reviews and measures performance in its dealings with external stakeholders.

Energy and carbon reporting

This section includes our mandatory reporting of energy and greenhouse gas emissions for the period 1 June 2020 to 31 May 2021, pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the government's Streamlined Energy and Carbon Reporting (SECR) policy.

Our methodology to calculate our greenhouse gas emissions is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)' issued by DEFRA, using DEFRA's 2020 conversion factors. In some cases consumption has been extrapolated from available data or direct comparison made to a comparable period.

C. BROWN & SONS (STEEL) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

We report using a financial control approach to define our organisational boundary. We have reported all material emission sources required by the regulations for which we deem ourselves to be responsible and have maintained records of all source data and calculations.

During the reporting period the following energy efficiency actions have been taken:
The continued roll out of LED lighting throughout the dealership estate.
Completion of Energy Savings Opportunity Scheme (ESOS) Phase 2 compliance work.

The table below includes total energy consumption (reported as kWh) and greenhouse gas emissions for the sources required by the regulations, along with our intensity ratio.

	<u>2021</u>	<u>2020</u>
Total Energy Consumption – Used for Emissions Calculation (kWh)	8,027,544	7,452,982
Gas Combustion Emissions, Scope 1 (tCO ₂ e)	511	541
Purchased Electricity Emissions, Scope 2 (tCO ₂ e)	411	421
Vehicle Fuel Combustion Emissions, Scope 1 (tCO ₂ e)	808	650
Vehicle Fuel Combustion Emissions, Scope 3 (tCO ₂ e)	-	-
Total Gross Reported Emissions (tCO ₂ e)	1,760	1,613
Turnover (£m)	56	41
Intensity Ratio: Turnover (tCO ₂ e / £m)	31.4	39.0

The impact of the company's operations on the community and the environment

The board is aware of the potential impact of its activities on the community and the environment. Decisions on changes to operations are made with due consideration to the local community and any possible environmental impact, if any.

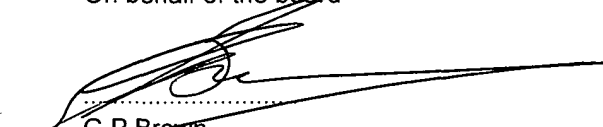
The desirability of the company maintaining a reputation for high standards of business conduct

The C Brown & Son (Steel) Limited Board is committed to maintaining the company's reputation. All employees are expected to carry out their business dealings with full integrity.

The need to act fairly between members of the company

As Executive Directors of the Company, all shareholders are involved in all key decision making.

On behalf of the board



G P Brown
Director
3.12.21

C. BROWN & SONS (STEEL) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2021

The directors present their annual report and financial statements for the year ended 31 May 2021.

Principal activities

The principal activity of the company continues to be that of steel stockholding and processing. The company also contains a division which trades as a motor vehicle repairer and seller of commercial motor spares.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G P Brown
Mrs S K Cheeseman
N P Brown
T G Brown
M L C Brown
J T Adkins
A S Webberley
Mr A J Cheeseman (Appointed 29 June 2021)

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 May 2021	31 May 2020
G P Brown	-	-
Mrs S K Cheeseman	-	-
N P Brown	-	-
T G Brown	-	-
M L C Brown	-	-
J T Adkins	-	-
A S Webberley	-	-
Mr A J Cheeseman	-	-

The interests of G P Brown, N P Brown, Mrs S K Cheeseman, T G Brown, M L C Brown and A J Cheeseman in the issued share capital of the holding company, C Brown Services Limited, are shown in the directors' report of that company. J T Adkins and A S Webberley do not have any interest in the issued share capital of the holding company.

Research and development

No significant research and development expenditure has been incurred during the period.

The need to foster the company's business relationships with suppliers, customers and others

A statement regarding the need to foster the company's business relationships has been included in the Strategic Report.

Post reporting date events

There have been no significant post reporting date events.

C. BROWN & SONS (STEEL) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

Auditors

The auditors, Price Pearson, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 of 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Strategic report

The future developments of the company have been included in the strategic report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



G P Brown

Director

3.12.21

C. BROWN & SONS (STEEL) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF C. BROWN & SONS (STEEL) LIMITED

Opinion

We have audited the financial statements of C. Brown & Sons (Steel) Limited (the 'company') for the year ended 31 May 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our 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.

C. BROWN & SONS (STEEL) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF C. BROWN & SONS (STEEL) 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 and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

We have obtained an understanding of the legal and regulatory frameworks which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in the context were the Companies Act 2006 and Tax legislation.

In addition we considered other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Companies ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Company for fraud. The laws and regulations we considered in this context were General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, Environmental protection legislation, Health and Safety legislation, Tax legislation and Employment legislation.

C. BROWN & SONS (STEEL) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF C. BROWN & SONS (STEEL) LIMITED

We identified the greatest risk of material impact on the following areas: timing of the recognition of income; the valuation of stocks; the override of controls by management, including posting of any unusual journals; inappropriate treatment of non-routine transactions and areas of estimation uncertainty and manipulating the Company's KPI's to meet management targets.

The risk of Revenue recognition – we performed the following procedures:

- Performing cut off tests at the end of the financial year to check income has been included in the correct period.
- Performing an analytical review to identify any unusual trends or variances from one period to the next.
- Obtaining confirmation from third parties to substantiate material debtor balances at the year end

Stock Valuation – we performed the following procedures:

- Performing cut off tests around the end of the financial year to check stock has been included in the correct period and performing an analytical review to determine any material variances.
- Reviewing the clients stock provision policy and performing substantive audit testing to ensure it is being adhered too.
- Attending the client stock take at the year end to verify stock items.

We also considered the risk of fraud through management override and in response we incorporated testing of manual journal entries into our audit approach. As well as assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of the business.

In addition to the above, our procedures to respond to the risks also included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Examining legal expenses codes during the financial year and post year end to identify any none compliance with laws and regulations or ongoing disputes.
- Reviewing various correspondence with key customers, HMRC and internal reports at both company and group level.

Owing to the inherent limitations of an audit, there is an unavoidable risk we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

C. BROWN & SONS (STEEL) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF C. BROWN & SONS (STEEL) LIMITED

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 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.



Christopher Cooper FCA FCCA (Senior Statutory Auditor)
For and on behalf of Price Pearson

Date: 20-12-21

Chartered Accountants
Statutory Auditor

Finch House
28-30 Wolverhampton Street
Dudley
West Midlands
DY1 1DB

C. BROWN & SONS (STEEL) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	2020 £
Turnover	3	56,176,300	41,250,818
Cost of sales		(44,902,419)	(37,958,822)
Gross profit		11,273,881	3,291,996
Administrative expenses		(5,392,613)	(4,420,199)
Other operating income		643,630	403,288
Operating profit/(loss)	4	6,524,898	(724,915)
Interest receivable and similar income	8	-	192
Interest payable and similar expenses	9	(182,671)	(248,370)
Profit/(loss) before taxation		6,342,227	(973,093)
Taxation	10	(1,201,000)	99,618
Profit/(loss) for the financial year		5,141,227	(873,475)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

C. BROWN & SONS (STEEL) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	2020 £
Profit/(loss) for the year		5,141,227	(873,475)
		<u> </u>	<u> </u>
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension schemes	22	618,000	(73,000)
Tax relating to other comprehensive income		(131,000)	9,000
		<u> </u>	<u> </u>
Other comprehensive income for the year		487,000	(64,000)
		<u> </u>	<u> </u>
Total comprehensive income for the year		5,628,227	(937,475)
		<u> </u>	<u> </u>

C. BROWN & SONS (STEEL) LIMITED

BALANCE SHEET

AS AT 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	11	7,330,290		7,385,869	
Investments	12	100		100	
		<u>7,330,390</u>		<u>7,385,969</u>	
Current assets					
Stocks	14	7,508,094		5,447,547	
Debtors	15	19,266,728		9,170,050	
Cash at bank and in hand		2,268		4,456	
		<u>26,777,090</u>		<u>14,622,053</u>	
Creditors: amounts falling due within one year	16	(19,656,296)		(12,982,972)	
Net current assets		<u>7,120,794</u>		<u>1,639,081</u>	
Total assets less current liabilities		<u>14,451,184</u>		<u>9,025,050</u>	
Creditors: amounts falling due after more than one year	17	(457,125)		(242,218)	
Provisions for liabilities					
Deferred tax liability	21	716,000		448,000	
		<u>(716,000)</u>		<u>(448,000)</u>	
Net assets excluding pension surplus/(deficit)		<u>13,278,059</u>		<u>8,334,832</u>	
Defined benefit pension surplus/(deficit)	22	537,002		(147,998)	
Net assets		<u>13,815,061</u>		<u>8,186,834</u>	
Capital and reserves					
Called up share capital	23	1,288,950		1,288,950	
Revaluation reserve		399,330		399,330	
Profit and loss reserves		12,126,781		6,498,554	
Total equity		<u>13,815,061</u>		<u>8,186,834</u>	

C. BROWN & SONS (STEEL) LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 MAY 2021

The financial statements were approved by the board of directors and authorised for issue on 3rd Dec 2021 and are signed on its behalf by:



G P Brown
Director



N P Brown
Director

Company Registration No. 528385

C. BROWN & SONS (STEEL) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2021

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 June 2019		1,288,950	399,330	7,436,029	9,124,309
Year ended 31 May 2020:					
Loss for the year		-	-	(873,475)	(873,475)
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	-	(73,000)	(73,000)
Tax relating to other comprehensive income		-	-	9,000	9,000
Total comprehensive income for the year		-	-	(937,475)	(937,475)
Balance at 31 May 2020		1,288,950	399,330	6,498,554	8,186,834
Year ended 31 May 2021:					
Profit for the year		-	-	5,141,227	5,141,227
Other comprehensive income:					
Actuarial gains on defined benefit plans	22	-	-	618,000	618,000
Tax relating to other comprehensive income		-	-	(131,000)	(131,000)
Total comprehensive income for the year		-	-	5,628,227	5,628,227
Balance at 31 May 2021		1,288,950	399,330	12,126,781	13,815,061

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

Company information

C. Brown & Sons (Steel) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cochrane House, Pedmore Road, Dudley, West Midlands, DY2 0RL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention modified to include land and buildings at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company C Brown Services Limited, includes the company's cash flows in its own consolidated financial statements.

(ii) From the financial instruments disclosures, required under FRS102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

(iii) From disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The company is a wholly owned subsidiary of C Browns Services Limited. It is included in the consolidated financial statements of C Browns Services Limited which are publicly available.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	no depreciation
Plant and machinery	4% - 25% p.a. straight line basis
Fixtures, fittings & equipment	5% - 25% p.a. straight line basis
Motor vehicles	10% - 25% p.a. straight line basis

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and loss are recognised in profit or loss.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

No depreciation is charged on the company's freehold properties since, in the opinion of the directors, the expected useful lives are sufficiently long and the estimated residual values are sufficiently high that any such depreciation would be immaterial. In view of this, the directors carry out an annual impairment review of these properties.

1.5 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Goods for resale are valued at purchase cost.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Ordinary shares are classified as equity. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

The company operates a defined benefit scheme, where benefits are based on each member's salary and pensionable service prior to leaving the scheme. Members are no longer accruing defined benefits under the scheme. Benefits receive statutory revaluation in deferment. Once in payment, pension increases are applied, some of which are linked to inflation (Subject to floors and caps). The cost of providing benefits is determined using the Defined Accrued Benefit Method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. The retirement benefit obligation in the balance sheet represents the present value of the defined benefit obligation less the fair value of plan assets.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and physical condition of the assets. see note 11 for the carrying amount of plant and equipment, and note 1.4 for the useful economic lives for each class of assets.

Stock provision

The company sells large volumes of steel. As a result it is necessary to consider the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 14 for the net carrying amount of the stock provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the net carrying amount of the debtors and associated impairment provision.

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 depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discounted rate. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021 £	2020 £
Turnover		
Steel sales	56,176,300	41,250,818
	<u> </u>	<u> </u>
Other significant revenue		
Grants received	353,154	346,888
	<u> </u>	<u> </u>

In the opinion of the directors it would be seriously prejudicial to disclose geographical details regarding turnover.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

4 Operating profit/(loss)

	2021 £	2020 £
Operating profit/(loss) for the year is stated after charging/(crediting):		
Government grants	(353,154)	(346,888)
Fees payable to the company's auditor for the audit of the company's financial statements	33,350	35,100
Depreciation of owned tangible fixed assets	388,179	374,532
Depreciation of tangible fixed assets held under finance leases	33,297	34,164
Profit on disposal of tangible fixed assets	(6,224)	(8,961)
Cost of stocks recognised as an expense	39,619,198	32,951,265
Losses/(gains) on foreign currency transactions	-	1,372
Management charges	(39,000)	(39,000)
Operating lease charges	315,884	316,225
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	33,350	37,350
	<u> </u>	<u> </u>
For other services		
Other taxation services	18,500	18,500
	<u> </u>	<u> </u>
	<u>18,500</u>	<u>18,500</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Management	7	7
Staff and works employees	159	171
	<u> </u>	<u> </u>
	<u>166</u>	<u>178</u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,900,608	4,592,559
Social security costs	524,289	423,042
Pension costs	462,868	157,458
	<u>5,887,765</u>	<u>5,173,059</u>

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	875,141	490,336
Company pension contributions to defined contribution schemes	356,551	35,865
	<u>1,231,692</u>	<u>526,201</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2020 - 6).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 5 (2020 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	324,952	114,137
Company pension contributions to defined contribution schemes	9,121	8,792
	<u>334,073</u>	<u>122,929</u>

8 Interest receivable and similar income

	2021 £	2020 £
Interest income	-	192
Other interest income	-	-
	<u>-</u>	<u>192</u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

9 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	179,711	244,314
Interest on finance leases and hire purchase contracts	1,960	2,056
Defined benefit pension fund debit	1,000	2,000
	<u>182,671</u>	<u>248,370</u>

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	1,035,000	-
Adjustments in respect of prior periods	-	382
Total current tax	<u>1,035,000</u>	<u>382</u>
Deferred tax		
Origination and reversal of timing differences	166,000	(100,000)
Total tax charge/(credit)	<u>1,201,000</u>	<u>(99,618)</u>

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit/(loss) before taxation	<u>6,342,227</u>	<u>(973,093)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,205,023	(184,888)
Tax effect of expenses that are not deductible in determining taxable profit	53,442	(5,376)
Permanent capital allowances in excess of depreciation	(31,197)	(19,741)
Under/(over) provided in prior years	3,049	382
Tax losses utilised	(192,381)	210,232
Profit/loss on disposal	(1,183)	(1,703)
Other tax adjustments	(1,753)	1,476
Deferred tax	166,000	(100,000)
Taxation charge/(credit) for the year	<u>1,201,000</u>	<u>(99,618)</u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

10 Taxation

(Continued)

In addition to the amount charged/(credited) to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £	2020 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	131,000	(9,000)

The company has estimated tax losses of £Nil (2020 - £1,050,000) available for carry forward against future trading profits.

11 Tangible fixed assets

	Land and buildings freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2020	2,939,215	8,627,143	548,333	628,300	12,742,991
Additions	72,052	221,232	24,077	49,740	367,101
Disposals	-	(1,898)	-	(40,595)	(42,493)
At 31 May 2021	3,011,267	8,846,477	572,410	637,445	13,067,599
Depreciation and impairment					
At 1 June 2020	-	4,607,297	291,449	458,376	5,357,122
Depreciation charged in the year	-	336,993	38,425	46,058	421,476
Eliminated in respect of disposals	-	(694)	-	(40,595)	(41,289)
At 31 May 2021	-	4,943,596	329,874	463,839	5,737,309
Carrying amount					
At 31 May 2021	3,011,267	3,902,881	242,536	173,606	7,330,290
At 31 May 2020	2,939,215	4,019,846	256,884	169,924	7,385,869

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021 £	2020 £
Plant and machinery	131,962	165,259
Depreciation charge for the year in respect of leased assets	33,297	34,164

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

11 Tangible fixed assets

(Continued)

The freehold land and buildings are included at revaluation. The valuation was made by the directors based on an independent valuation by Scriven & Co, a firm of independent Chartered Surveyors, in November 2011. The directors are not aware of any material changes in the valuation.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2021 £	2020 £
Cost	2,611,936	2,539,885
Accumulated depreciation	-	-
Carrying value	<u>2,611,936</u>	<u>2,539,885</u>

12 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	13	<u>100</u>	<u>100</u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

13 Subsidiaries

Details of the company's subsidiaries at 31 May 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Cebron Motors Limited	Cochrane House, Pedmore Road, Dudley, West Midlands, DY2 0RL	Dormant company	Ordinary	100.00	-

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Cebron Motors Limited	-	100

14 Stocks

	2021 £	2020 £
Goods for resale	7,508,094	5,447,547

The current replacement cost of stocks is not materially different from the historic cost.

Stock is stated after provisions for impairment of £400,000 (2020: £8,991).

15 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	17,656,884	7,013,691
Amount due from parent undertaking	696,786	680,684
Other debtors	264,846	4,302
Prepayments and accrued income	648,212	1,443,373
	<u>19,266,728</u>	<u>9,142,050</u>
Amounts falling due after one year:		
Deferred tax asset (note 21)	-	28,000
	<u>-</u>	<u>28,000</u>
Total debtors	<u>19,266,728</u>	<u>9,170,050</u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

15 Debtors

(Continued)

Trade debtors are stated after provisions for impairment of £37,453 (2020: £55,215).

Amounts due from group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

16 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	18	4,177,114	5,413,684
Obligations under finance leases	19	20,700	20,700
Trade creditors		12,069,542	6,873,437
Amounts due to group undertakings		100	100
Corporation tax		1,035,000	-
Other taxation and social security		1,128,067	519,534
Other creditors		2,171	22,250
Directors current accounts		7,890	24,899
Accruals and deferred income		1,215,712	108,368
		<u>19,656,296</u>	<u>12,982,972</u>

Amounts due to group undertakings and undertakings in which certain of the directors have a participating interest are interest free, have no fixed repayment date and are repayable on demand.

17 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	18	414,000	178,393
Obligations under finance leases	19	43,125	63,825
		<u>457,125</u>	<u>242,218</u>

The aggregate amount of creditors for which security has been given amounted to £4,654,939 (2020: £5,676,602).

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

18 Loans and overdrafts

	2021 £	2020 £
Bank loans	808,393	452,233
Bank overdrafts	3,782,721	5,139,844
	<u>4,591,114</u>	<u>5,592,077</u>
Payable within one year	4,177,114	5,413,684
Payable after one year	<u>414,000</u>	<u>178,393</u>

The bank borrowings are secured by a fixed charge over all book and other debts and floating charge over the company's assets. There is also a first charge over the company's freehold land and buildings.

Bank loans consist of three loans. The first loan was for an initial amount of £367,600 repayable by 57 monthly instalments of £6,038 commencing February 2016 and carries interest of 2.3% above the base rate. This loan was repaid in November 2020.

The second loan was for an initial amount of £1,665,000 and is repayable by 84 monthly instalments of £22,304 commencing in February 2015. The loan carries an interest rate of 3.55%.

The third loan was for an initial amount of £630,000, with a maximum drawdown of £1,000,000, repayable by 35 instalments of £28,571 commencing in June 2021 with an interest rate of 2.28% above the base rate.

19 Finance lease obligations

	2021 £	2020 £
Future minimum lease payments due under finance leases:		
Within one year	22,660	22,660
In two to five years	47,209	69,870
	<u>69,869</u>	<u>92,530</u>
Less: future finance charges	(6,044)	(8,005)
	<u>63,825</u>	<u>84,525</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery and motor vehicles. No restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The hire purchase liabilities are secured on the assets purchased.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

20 Provisions for liabilities

		2021 £	2020 £
Deferred tax liabilities	21	716,000	448,000
Retirement benefit obligations	22	-	147,998
		<u>716,000</u>	<u>595,998</u>

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Balances:				
Accelerated capital allowances	614,000	448,000	-	-
Retirement benefit obligations	102,000	-	-	28,000
	<u>716,000</u>	<u>448,000</u>	<u>-</u>	<u>28,000</u>

	2021 £
Movements in the year:	
Liability at 1 June 2020	420,000
Charge to profit or loss	166,000
Charge to other comprehensive income	130,000
Liability at 31 May 2021	<u>716,000</u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

22 Retirement benefit obligations

The company and associated undertakings operate a defined benefit (final salary) funded pension scheme. Since 4 April 2003 the scheme has ceased future accrual of benefits and no employees' contributions have been received into the scheme.

The assets of the scheme are held separately from those of the companies, being invested with investment management companies.

The scheme assets do not include investments issued by C Brown & Sons (Steel) Limited nor any property occupied by C Brown & Sons (Steel) Limited.

The most recent triennial valuation was at 5 April 2020 and was carried out by a qualified actuary.

The valuation as at 5 April 2020 showed that the market value of the assets was £5,874,000. This was sufficient to cover an average 84% of the benefits which accrued to members after allowing for future increases in benefits.

During the year ended 31 May 2021 the company made contributions of £69,000 (2020 - £36,000). The current arrangement as regards contribution rates is described in a Schedule of Contributions dated 26 April 2021. The company is required by that Schedule of Contributions to contribute £nil every year commencing 1 May 2021 to 1 May 2026, as the deficit has been eliminated during the financial year.

A qualified independent actuary has updated the results of the triennial valuation as at 5 April 2020 to 31 May 2021 to obtain the following figures in accordance with FRS102. The FRS102 value placed on the pension benefit obligation has been determined by rolling forward from previous results, making adjustments to reflect benefits paid out of the scheme, and for differences between the assumptions used this year end and previous year end.

The major financial assumptions used by the actuary were:

	At 31 May 2021	At 31 May 2020
Rate of increase in pensions: LPI 5%	3.55%	3.05%
Rate of increase in CPI inflation	2.35%	1.85%
Discount rate	2.20%	1.80%
Inflation assumption	3.55%	3.05%
Rate of revaluation of deferred pensions in excess of the GMP	2.35%	1.85%
Expected return on the scheme assets*	2.20%	1.80%

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

22 Retirement benefit obligations

(Continued)

The demographic assumptions used by the actuary were:

	AX92 (pre retirement) 110% S3Px A CMI 2019 with 1% underpin	AX92 (pre retirement) 110% S2Px A CMI 2019 with 1% underpin
Male life expectancy at age 65 for someone who is currently 65 (pensioner)	21.2 years	20.7 years
Female life expectancy at age 65 for someone who is currently 65 (pensioner)	23.6 years	22.7 years
Male life expectancy at age 65 for someone who is currently 45 (non-pensioner)	22.2 years	21.7 years
Female life expectancy at age 65 for someone who is currently 45 (non pensioner)	24.7 years	24.0 years
Cash commutation allowance	None	None
Withdrawal allowance	None	None

* As at the beginning of each period presented.

The overall expected rate of return on the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The scheme holds quoted securities and these have been valued at bid price. The corresponding amounts from previous years are not bid prices and have not been restated.

The fair value of assets in the scheme were:

	Value at 31 May 2021 £	Proportion	Value at 31 May 2020 £	Proportion
Bonds	1,578,000	23.00%	1,528,000	24.00%
Equities	3,425,000	49.00%	3,262,000	51.00%
Commodities	755,000	11.00%	641,000	10.00%
Other investments	1,159,000	17.00%	997,000	15.00%
Total market value of assets	6,917,000	100.00%	6,428,000	100.00%
Present value of plan liability	(6,381,000)		(6,577,000)	
Net pension surplus / (deficit)	536,000		(149,000)	

	2021 £	2020 £
Analysis of amount charged to operating profit		
Employer's current service cost	-	-

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

22 Retirement benefit obligations	(Continued)	
Analysis of the amount charged to interest receivable / (payable) (see note 9)	2021 £	2020 £
Expected return on pension plan assets	114,000	152,000
Interest on pension liabilities	(115,000)	(154,000)
	(1,000)	(2,000)
Analysis of the amounts recognised in other operating income	2021 £	2020 £
Liability discharged via settlement	-	-
Additional contribution towards settlement	-	-
	-	-
Analysis of the amounts recognised in statement of comprehensive income	2021 £	2020 £
Actual return less expected return on plan assets	604,000	357,000
Changes in assumptions underlying the plan liabilities	(5,000)	(454,000)
Experience gains and losses on liabilities	19,000	24,000
Liability discharged recognised in profit and loss	-	-
	618,000	(73,000)
Net cumulative actuarial (losses) / gains *	592,000	(26,000)
* Includes net cumulative actuarial gain/(loss) since year ending 31 January 2004.		
Change in the present value of the defined benefit obligation	2021 £	2020 £
Opening defined benefit obligation	6,577,000	6,358,000
Movement in year:		
Interest cost	115,000	154,000
Actuarial (gains)/losses	(14,000)	430,000
Benefits paid	(298,000)	(365,000)
Closing defined benefit obligation	6,380,000	6,577,000

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

22 Retirement benefit obligations

(Continued)

Change in the fair value of the scheme assets

	2021 £	2020 £
Opening fair value of the scheme assets	6,429,000	6,249,000
Movement in year:		
Expected return	114,000	152,000
Actuarial gain/(loss)	604,000	357,000
Contributions received from employer	69,000	36,000
Benefits paid	(298,000)	(365,000)
	<u> </u>	<u> </u>
Closing fair value of the scheme assets	6,918,000	6,429,000
	<u> </u>	<u> </u>
Actual return on scheme assets	718,000	509,000
	<u> </u>	<u> </u>

Movement on deficit during the year

	2021 £	2020 £
Deficit in scheme at beginning of the year	(148,000)	(109,000)
Movement in year:		
Employer's contributions received by scheme	69,000	36,000
Other finance (cost)/income	(1,000)	(2,000)
Actuarial gain/(loss)	618,000	(73,000)
	<u> </u>	<u> </u>
Surplus / (Deficit) in scheme at end of the year	538,000	(148,000)
	<u> </u>	<u> </u>

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

22 Retirement benefit obligations

(Continued)

History of experience gains and losses

	2021 £	2020 £	2019 £	2018 £	2017 £
Defined benefit obligation	(6,380,000)	(6,577,000)	(6,358,000)	(6,390,000)	(7,269,000)
Scheme assets	6,918,000	6,429,000	6,249,000	6,281,000	6,875,000
Deficit	538,000	(148,000)	(109,000)	(109,000)	(394,000)
Actual return less expected return on scheme assets	592,000	(26,000)	47,000	112,000	(145,000)
- as a percentage of scheme assets	8.56%	0.40%	0.75%	1.78%	2.11%
Experience gains/ (losses) on scheme liabilities	19,000	24,000	(59,000)	135,000	146,000
- as a percentage of present value of scheme liabilities	0.30%	0.36%	0.93%	2.11%	2.01%

	2021 £	2020 £
Contributions payable by the company for the year		
Defined benefit	69,000	36,000
Defined contribution	142,868	157,458
	211,868	193,458

Monies due to the pension fund are secured by a legal charge over the company's property.

The contributions due at the year end were £1,655 (2020 - £21,753). This was paid by the due date.

23 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Authorised				
Ordinary shares of £1 each	1,300,000	1,300,000	1,300,000	1,300,000
Issued and fully paid				
Ordinary shares of £1 each	1,288,950	1,288,950	1,288,950	1,288,950

The company has one class of ordinary shares. There are no restrictions on distributions of dividends and the repayment of capital.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

24 Financial commitments, guarantees and contingent liabilities

The company is party to an unlimited multilateral guarantee between itself and the following companies:

C Brown Services Limited

Cebron Motors Limited

This guarantee resulted in a contingent liability at the balance sheet date of £nil (2020 - £nil).

25 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for various properties and vehicles. The leases are fixed for an average of 5 years

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	286,939	312,964
Between two and five years	130,380	388,920
	<u>417,319</u>	<u>701,884</u>

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £	2020 £
Acquisition of tangible fixed assets	<u>173,789</u>	<u>-</u>

27 Ultimate controlling party

The ultimate holding company is C Brown Services Limited, and its registered office is Cochrane House, Pedmore Road, Dudley, West Midlands, DY2 0RL. C Brown Services Limited is not under control of any one individual.

The smallest and largest group to consolidate these financial statements is C Brown Services Limited. Copies of C Brown Services Limited consolidated financial statements can be obtained from the Company secretary at the registered office.

C. BROWN & SONS (STEEL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

28 Related party transactions

Related Individuals

The following transactions took place with individual related parties during the year:

Directors current accounts

Creditors include the following amounts due to directors at the period end:

	2021 £	2020 £
Total	7,890	24,899

These balances arise as a result of drawings made against opening balances due and monies introduced.

All Related Party Transactions

There are no provisions against any of the amounts owing at the year end and no amounts have been written off in respect of these transactions during the period.