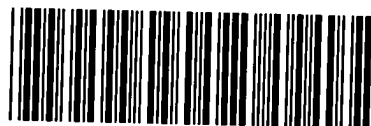


KUBACH & SAMBROOK (METALS) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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COMPANIES HOUSE

KUBACH & SAMBROOK (METALS) LTD

COMPANY INFORMATION

Director	Ajay Doshi
Secretary	Paresh Patel
Company number	01099379
Registered office	57 Manor Park Crescent Edgware Middlesex HA8 7LY
Auditor	KLSA LLP Kalamu House 11 Coldbath Square London EC1R 5HL
Business address	57 Manor Park Crescent Edgware Middlesex HA8 7LY
Bankers	Barclays Bank Plc Acorn House 36-38 Park Royal Road London NW10 7JA

KUBACH & SAMBROOK (METALS) LTD

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KUBACH & SAMBROOK (METALS) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Fair review of the business

The results for the period under review and the financial position at the year end were considered satisfactory by the director. The group's objective is to achieve sustainable rates of growth and returns through organic growth.

Sales decreased compared to the prior years due to decrease in demand and tougher competition in the market.

As shown in the group's profit and loss account set out on page 8, the company made a loss after tax of \$1,516,560 (2018 - \$2,249,351).

The group's balance sheet on page 10 shows that its financial position remains strong with net assets valued at \$2.2m (2018 - \$3.1m).

Post the reporting period, the group has been affected by Covid-19 like other business in the UK and Worldwide. The directors are optimistic that turnover will steadily increase in the forthcoming financial year based on the current trading performance.

Future developments

The director aims to continue with the management policies which has resulted in the group's steady performance in recent years.

The outlook for 2021 is reasonably encouraging with the director being optimistic that the current performance can be maintained.

Principal risks and uncertainties

The group faces a number of operating risks and uncertainties. There are a number of risks that could impact the group's long term performance and steps are taken to understand and evaluate these in order to achieve our objective of sustainable growth. The management have a risk management process in place, which is designed to identify, manage and mitigate business risk.

Financial risk management objectives and policies

The group uses various financial instruments that include cash, trade debtors and creditors that arise from its operations. The group is exposed to a number of financial risks, which are described in more detail below.

Principal risks and uncertainties

Interest rate risk

The director monitors the banking facilities and interest rates on a regular basis to make sure that the group is not exposed to material levels of interest rate risk.

Currency risk

The group is exposed to translation and transaction foreign exchange risk on its purchase from and sale to overseas suppliers and customers. The group does not adopt an accounting policy of hedge accounting for these financial statements.

Liquidity risk

The director closely manages financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by monitoring the working capital requirements.

Credit risk

The group's principal credit risk arises from its trade debtors. In order to manage the credit risk associated with trade debtors, the director sets limits for customers based on a combination of payment history and third party references. Credit limits are reviewed by the director on a regular basis in conjunction with debt ageing and collection history.

KUBACH & SAMBROOK (METALS) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

The key financial indicators for the performance of the group are gross profit margin and turnover.

The gross profit of the group for the period under review was \$1.1m (2018 - \$0.5m), producing a gross margin of 6.77% (2018 - 2.03%) on turnover of \$16.3m (2018 - \$22.5m).

The key non-financial performance indicators are customer service and satisfaction, and stakeholder relationships.

On behalf of the board



Ajay Doshi

Director

22 December 2020

KUBACH & SAMBROOK (METALS) LTD

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company and group continued to be that of importing and exporting of iron, steel, non-ferrous metals and building materials.

Director

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

Ajay Doshi

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The director does not recommend payment of a further dividend.

Auditor

The auditor, KLSA LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group 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;
- 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 group and company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 auditor of the company 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 auditor of the company is aware of that information.

KUBACH & SAMBROOK (METALS) LTD

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board



Ajay Doshi

Director

22 December 2020

KUBACH & SAMBROOK (METALS) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KUBACH & SAMBROOK (METALS) LTD

Opinion

We have audited the financial statements of Kubach & Sambrook (Metals) Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

KUBACH & SAMBROOK (METALS) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KUBACH & SAMBROOK (METALS) LTD

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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 director is responsible for assessing the group's and the parent 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 intend to liquidate the group or the parent 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.

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

KUBACH & SAMBROOK (METALS) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KUBACH & SAMBROOK (METALS) LTD

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.



Ketan Shah (Senior Statutory Auditor)
for and on behalf of KLSA LLP

22 December 2020

Chartered Accountants
Statutory Auditor

Kalamu House
11 Coldbath Square
London
EC1R 5HL

KUBACH & SAMBROOK (METALS) LTD

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 \$	2018 \$
Turnover	3	16,286,614	22,467,089
Cost of sales		(15,183,714)	(22,011,419)
Gross profit		<u>1,102,900</u>	<u>455,670</u>
Administrative expenses		(2,572,830)	(2,388,680)
Other operating income		43,112	-
Operating loss	4	<u>(1,426,818)</u>	<u>(1,933,010)</u>
Interest receivable and similar income	8	11,082	4,850
Interest payable and similar expenses	9	(100,824)	(321,191)
Loss before taxation		<u>(1,516,560)</u>	<u>(2,249,351)</u>
Tax on loss	10	-	-
Loss for the financial year		<u><u>(1,516,560)</u></u>	<u><u>(2,249,351)</u></u>

Loss for the financial year is all attributable to the owners of the parent company

KUBACH & SAMBROOK (METALS) LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 \$	2018 \$
Loss for the year	(1,516,560)	(2,249,351)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(1,516,560)</u>	<u>(2,249,351)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

KUBACH & SAMBROOK (METALS) LTD

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 \$	\$	2018 \$	\$
Fixed assets					
Tangible assets	11		8,486		11,476
Current assets					
Stocks	14	79,431		1,921,017	
Debtors	15	5,304,683		9,356,747	
Cash at bank and in hand		864,284		533,685	
		<u>6,248,398</u>		<u>11,811,449</u>	
Creditors: amounts falling due within one year	16	<u>(4,036,991)</u>		<u>(8,686,472)</u>	
Net current assets			2,211,407		3,124,977
Total assets less current liabilities			<u>2,219,893</u>		<u>3,136,453</u>
Capital and reserves					
Called up share capital	18	729,039		129,039	
Profit and loss reserves		1,490,854		3,007,414	
Total equity			<u>2,219,893</u>		<u>3,136,453</u>

The financial statements were approved and signed by the director and authorised for issue on 22 December 2020



Ajay Doshi
Director

KUBACH & SAMBROOK (METALS) LTD

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 \$	\$	2018 \$	\$
Fixed assets					
Tangible assets	11	8,592		11,167	
Investments	12	200,010		10	
			208,602		11,177
Current assets					
Stocks	14	-		1,637,986	
Debtors	15	5,434,914		9,776,987	
Cash at bank and in hand		760,935		503,601	
			6,195,849		11,918,574
Creditors: amounts falling due within one year	16	(4,007,465)		(8,649,164)	
Net current assets			2,188,384		3,269,410
Total assets less current liabilities			2,396,986		3,280,587
Capital and reserves					
Called up share capital	18	729,039		129,039	
Profit and loss reserves		1,667,947		3,151,548	
Total equity			2,396,986		3,280,587

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was \$1,483,601 (2018 - \$2,282,326 loss).

The financial statements were approved and signed by the director and authorised for issue on 22 December 2020


Ajay Doshi
Director

Company Registration No. 01099379

KUBACH & SAMBROOK (METALS) LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital \$	Profit and loss reserves \$	Total \$
Balance at 1 January 2018		129,039	5,256,765	5,385,804
Year ended 31 December 2018:				
Loss and total comprehensive income for the year		-	(2,249,351)	(2,249,351)
Balance at 31 December 2018		129,039	3,007,414	3,136,453
Year ended 31 December 2019:				
Loss and total comprehensive income for the year		-	(1,516,560)	(1,516,560)
Issue of share capital	18	600,000	-	600,000
Balance at 31 December 2019		729,039	1,490,854	2,219,893

KUBACH & SAMBROOK (METALS) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital \$	Profit and loss reserves \$	Total \$
Balance at 1 January 2018		129,039	5,433,874	5,562,913
Year ended 31 December 2018:				
Loss and total comprehensive income for the year		-	(2,282,326)	(2,282,326)
Balance at 31 December 2018		129,039	3,151,548	3,280,587
Year ended 31 December 2019:				
Loss and total comprehensive income for the year		-	(1,483,601)	(1,483,601)
Issue of share capital	18	600,000	-	600,000
Balance at 31 December 2019		729,039	1,667,947	2,396,986

KUBACH & SAMBROOK (METALS) LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 \$	\$	2018 \$	\$
Cash flows from operating activities					
Cash generated from operations	25	1,650,020		5,671,119	
Interest paid		(100,824)		(321,191)	
Income taxes refunded/(paid)		79,303		(57,714)	
Net cash inflow from operating activities		<u>1,628,499</u>		<u>5,292,214</u>	
Investing activities					
Purchase of tangible fixed assets		(1,150)		(2,488)	
Proceeds on disposal of tangible fixed assets		8,021		-	
Interest received		11,082		4,850	
Net cash generated from investing activities		<u>17,953</u>		<u>2,362</u>	
Financing activities					
Proceeds from issue of shares		600,000		-	
Net cash generated from/(used in) financing activities		<u>600,000</u>		<u>-</u>	
Net increase in cash and cash equivalents		<u>2,246,452</u>		<u>5,294,576</u>	
Cash and cash equivalents at beginning of year		(1,382,168)		(6,676,744)	
Cash and cash equivalents at end of year		<u><u>864,284</u></u>		<u><u>(1,382,168)</u></u>	
Relating to:					
Cash at bank and in hand		864,284		533,685	
Bank overdrafts included in creditors payable within one year		-		(1,915,853)	

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Kubach & Sambrook (Metals) Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 57 Manor Park Crescent, Edgware, Middlesex, HA8 7LY.

The group consists of Kubach & Sambrook (Metals) Ltd and all of its subsidiaries.

1.1 Accounting convention

The Group and Individual financial statements of Kubach & Sambrook (Metals) Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 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 US Dollar, 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 the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Kubach & Sambrook (Metals) Ltd and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Kubach & Sambrook (Metals) Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

The COVID-19 pandemic is having an impact on the operations of the group. The group was required to close its offices from 17 March 2020 in line with the government's guidance however it continued to trade through working remotely.

The safety of our colleagues and our customers is paramount and will continue to guide everything we do as we move forward over the months ahead.

The group is working very closely with suppliers to ensure continuous supply of products and to avoid delays to customers.

The group has also introduced measures to improve the health and safety of its stakeholders as per Government guidelines.

The director is constantly monitoring the group's performance and have taken measures to mitigate the impact of COVID-19 on its activities.

The group has produced forecasts for the next 12 months which considers the impact of COVID-19.

Based on the management forecasts and the support available from the shareholders, the expectation of the director is that they will be able to meet the liabilities as they fall due in the next 12 months.

The financial statements are therefore prepared on a going concern basis.

1.4 Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods to customers. The revenue is recognised when the bill of lading is issued.

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.

1.5 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.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	20% on straight line basis
Motor vehicles	20% on straight line basis

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 recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

1.7 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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.

1.9 Cash at bank and in hand

Cash at bank and in hand 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.

1.10 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

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.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

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 group after deducting all of its 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.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.13 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.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than US Dollars 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 are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is 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.

3 Turnover and other revenue

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

	2019	2018
	\$	\$
Turnover analysed by class of business		
Sale of iron, steel, non-ferrous metals and building materials	16,286,614	22,467,089
	<u> </u>	<u> </u>
	2019	2018
	\$	\$
Other significant revenue		
Interest income	11,082	4,850
Commissions received	43,112	-
	<u> </u>	<u> </u>

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue (Continued)

	2019	2018
	\$	\$
Turnover analysed by geographical market		
Africa	16,286,614	22,467,089

4 Operating loss

	2019	2018
	\$	\$
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	63,608	166,661
Depreciation of owned tangible fixed assets	4,141	4,234
Profit on disposal of tangible fixed assets	(8,021)	-
Cost of stocks recognised as an expense	15,177,850	22,011,419
Operating lease charges	39,878	46,398

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to \$63,608 (2018 - \$166,661).

5 Auditor's remuneration

	2019	2018
	\$	\$
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	10,951	9,035

6 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Management	1	1	1	1
Administration	7	10	5	6
	8	11	6	7

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Wages and salaries	872,630	823,656	806,348	808,073
Pension costs	7,912	8,395	7,912	8,395
	<u>880,542</u>	<u>832,051</u>	<u>814,260</u>	<u>816,468</u>

7 Director's remuneration

	2019 \$	2018 \$
Remuneration for qualifying services	<u>234,257</u>	<u>233,579</u>

8 Interest receivable and similar income

	2019 \$	2018 \$
Interest income		
Interest on bank deposits	<u>11,082</u>	<u>4,850</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>11,082</u>	<u>4,850</u>
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9 Interest payable and similar expenses

	2019 \$	2018 \$
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	98,598	301,624
Other finance costs:		
Other interest	<u>2,226</u>	<u>19,567</u>
Total finance costs	<u>100,824</u>	<u>321,191</u>

10 Taxation

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

(Continued)

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

	2019 \$	2018 \$
Loss before taxation	(1,516,560)	(2,249,351)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(288,146)	(427,377)
Tax effect of expenses that are not deductible in determining taxable profit	380	425
Unutilised tax losses carried forward	287,862	427,467
Permanent capital allowances in excess of depreciation	(804)	(1,179)
Depreciation on assets not qualifying for tax allowances	708	664
Taxation charge for the year	-	-

11 Tangible fixed assets

Group	Fixtures, fittings & equipment \$	Motor vehicles \$	Total \$
Cost			
At 1 January 2019	322,886	42,672	365,558
Additions	1,150	-	1,150
Disposals	-	(42,672)	(42,672)
At 31 December 2019	324,036	-	324,036
Depreciation and impairment			
At 1 January 2019	311,409	42,672	354,081
Depreciation charged in the year	4,141	-	4,141
Eliminated in respect of disposals	-	(42,672)	(42,672)
At 31 December 2019	315,550	-	315,550
Carrying amount			
At 31 December 2019	8,486	-	8,486
At 31 December 2018	11,476	-	11,476

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets

(Continued)

Company	Fixtures, fittings & equipment	Motor vehicles	Total
	\$	\$	\$
Cost			
At 1 January 2019	312,880	42,672	355,552
Additions	1,150	-	1,150
Disposals	-	(42,672)	(42,672)
At 31 December 2019	314,030	-	314,030
Depreciation and impairment			
At 1 January 2019	301,713	42,672	344,385
Depreciation charged in the year	3,725	-	3,725
Eliminated in respect of disposals	-	(42,672)	(42,672)
At 31 December 2019	305,438	-	305,438
Carrying amount			
At 31 December 2019	8,592	-	8,592
At 31 December 2018	11,167	-	11,167

12 Fixed asset investments

	Notes	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Investments in subsidiaries	21	-	-	200,010	10

Movements in fixed asset investments

Company	Shares in group undertakings \$
Cost or valuation	
At 1 January 2019	10
Additions	200,000
At 31 December 2019	200,010
Carrying amount	
At 31 December 2019	200,010
At 31 December 2018	10

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Financial instruments

	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,264,621	9,237,539	5,414,134	9,661,228
Carrying amount of financial liabilities				
Measured at amortised cost	4,004,287	8,647,488	3,977,689	8,612,567

The director considers the above to be at their fair market value.

14 Stocks

	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Finished goods and goods for resale	79,431	1,921,017	-	1,637,986

15 Debtors

	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Amounts falling due within one year:				
Trade debtors	5,264,621	8,863,734	5,114,527	8,689,013
Corporation tax recoverable	5,390	84,693	1,813	81,244
Amounts owed by group undertakings	-	-	299,607	599,445
Other debtors	18,617	18,749	2,912	17,714
Prepayments and accrued income	16,055	29,571	16,055	29,571
	5,304,683	8,996,747	5,434,914	9,416,987
Amounts falling due after more than one year:				
Trade debtors	-	360,000	-	360,000
Total debtors	5,304,683	9,356,747	5,434,914	9,776,987

Amounts owed by group undertakings are unsecured, interest free and recoverable on demand.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16 Creditors: amounts falling due within one year

		Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
	Notes				
Bank loans and overdrafts	17	-	1,915,853	-	1,915,853
Trade creditors		622,401	2,867,273	603,876	2,838,903
Amounts due to group undertakings		3,200,000	3,800,000	3,200,000	3,800,000
Other taxation and social security		32,704	38,984	29,776	36,597
Accruals and deferred income		181,886	64,362	173,813	57,811
		<u>4,036,991</u>	<u>8,686,472</u>	<u>4,007,465</u>	<u>8,649,164</u>

Amounts due to group undertakings are unsecured, interest free and recoverable on demand.

The bank loans and overdrafts are secured by a debenture over the fixed and floating assets of the company.

17 Loans and overdrafts

	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Bank overdrafts	<u>-</u>	<u>1,915,853</u>	<u>-</u>	<u>1,915,853</u>
Payable within one year	<u>-</u>	<u>1,915,853</u>	<u>-</u>	<u>1,915,853</u>

The bank overdrafts are secured by a debenture over the fixed and floating assets of the company.

18 Share capital

	Group and company	
	2019	2018
Issued and fully paid		
538,000 Ordinary shares of £1 each	<u>729,039</u>	<u>129,039</u>

The first 65,000 Ordinary shares of £1 each were converted at \$1.98521 per £ and the remaining 473,000 Ordinary shares of £1 each were converted at \$1.26849 per £.

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

19 Retirement benefit schemes

	2019	2018
	\$	\$
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	7,912	8,395

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

20 Operating lease commitments

Lessee

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

	Group 2019 \$	2018 \$	Company 2019 \$	2018 \$
Within one year	25,050	25,050	25,050	25,050
Between two and five years	31,325	56,375	31,325	56,375
	<u>56,375</u>	<u>81,425</u>	<u>56,375</u>	<u>81,425</u>

21 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct Indirect
Kubach and Sambrook (South Africa) Proprietary Limited	Importing and exporting iron and steel	Ordinary	100.00 -

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 \$	2018 \$
Aggregate compensation	<u>256,875</u>	<u>253,048</u>

KUBACH & SAMBROOK (METALS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22 Related party transactions

(Continued)

At the balance sheet date, loan amounting to \$3,200,000 (2018: \$3,800,000) was payable to Novastar Holdings S.A, the parent company.

The company has taken advantage of the exemption available in FRS 102 (s33 "Related Party Disclosure"), whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the group.

23 Controlling party

The company is a wholly owned subsidiary company of Novastar Holdings S.A, a company incorporated in Panama.

24 Subsequent events disclosure

At the time of approving the financial statements, the global economic outlook has deteriorated as a consequence of the COVID-19 pandemic and the measures taken by the government to control the spread of the virus. The Group has continued to trade successfully throughout this period. The director continue to monitor the World Health Organisation, Department of Health and other government websites and are continuously monitoring the situation to identify any potential disruption of service. The Group will implement all necessary and prudent measures to ensure the health and safety of its personnel whilst minimising any disruption to our customers. At this point it is not possible to accurately estimate the financial effect of this event on the Group.

25 Cash generated from group operations

	2019 \$	2018 \$
Loss for the year after tax	(1,516,561)	(2,249,350)
Adjustments for:		
Finance costs	100,824	321,191
Investment income	(11,082)	(4,850)
Gain on disposal of tangible fixed assets	(8,021)	-
Depreciation and impairment of tangible fixed assets	4,141	4,234
Movements in working capital:		
Decrease in stocks	1,841,586	2,378,924
Decrease in debtors	3,988,466	6,468,162
(Decrease) in creditors	(2,749,333)	(1,247,192)
Cash generated from operations	1,650,020	5,671,119