

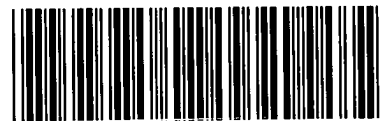
Registration number: 9041555

Nella Cutlery South Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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Nella Cutlery South Limited

Contents

Company Information	1
Strategic Report	2 to 4
Directors' Report	5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 10
Profit and Loss Account	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 to 27

Nella Cutlery South Limited

Company Information

Directors	Mrs N Ayres
	Mr M F Nella
	Mr S Nella
	Mrs S Bull
	Mr M P P Nella
	Mrs C F Nella
Company secretary	Mrs N Ayres
Registered office	Murray House
	Murray Road
	Orpington
	Kent
	BR5 3QY
Auditors	McBrides Accountants LLP
	Nexus House
	Cray Road
	Sidcup
	Kent DA14 5DA

Nella Cutlery South Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is the provision of knife sharpening services.

Fair review of the business

The company continued to operate from its head office in South East London and via its branch network in the UK.

The company incurred a decrease in turnover of 30% which followed a 5% increase the year before, although given the issues brought about by the COVID-19 pandemic this decrease in turnover was not unexpected and this decline should stop in 2021 and beyond as the UK emerges from enforced lockdown. Both UK and overseas sales represented that decrease and looking ahead to regain the previously achieved growth the Directors have continued to maintain investment in sales and support staff.

Capital expenditure continues to form a key part of the overall strategic growth plan and in 2020 further investment was made to increase both van and machinery capacity which should ensure the ability to increase delivery routes and turnaround times.

The Directors as always are actively seeking to target new areas of the market and this is combined with a plan to open further branches in both the UK and Europe now that the hospitality industry is beginning to emerge from the enforced lockdown.

Whilst in lockdown post year end, trading has continued at the decreased level since the outbreak of Coronavirus in March 2020.

The impact of restaurant closures has been felt the hardest, offset by the non-lockdown periods of trade where demand has returned. Based on a like for like comparison turnover has reduced during the current year, although the impact of this has been reduced due to the use of the furlough scheme and utilisation of grants on offer.

Nella Cutlery South Limited

Strategic Report for the Year Ended 31 December 2020

The company's key financial and other performance indicators during the year were as follows:

(i) Profit for the period was £0.62m compared to £1.44m in the period to 31 December 2019.

(ii) The balance sheet shows that net assets at the year end have decreased from £3.18m to £2.72m as a result of the reduced profit made in the year.

Then within different operational and sales sectors within the business there are appropriate measures in place to target performance and profitability, including:

- Sales staff are set new customer targets. and reviewed quarterly.
- All other staff are set departmental incentivisation targets with a view to sharing in the company's increased productivity and profitability.
- Each location has its own bespoke financial and non-financial KPIs to measure against overall company performance.

The company had net assets at the year-end of £2.72m and cash reserves of £1.34m, the cash reserve having increased upon the position at December 2019. When measuring performance of the company against the key performance indicators the Directors consider that both the results for the year and the company's position as at the year-end are satisfactory.

Nella Cutlery South Limited

Strategic Report for the Year Ended 31 December 2020

Principal risks and uncertainties

The Directors regularly consider the implications of risk to the company and are confident that with regard to that exposure to risk there are sufficient internal procedures in place to identify and minimise that exposure.

The company maintains adequate insurance cover where relevant for commercial risks that are insurable, and these are regularly reviewed and kept up to date.

The Directors consider that there are identifiable risks or uncertainties. however, they continue to monitor the following in order to have flexibility in planning:

- Brexit and the trading implications that may come from this.
- Manual labour staffing requirements, employment regulations, and ongoing recruitment within cost budgets.

As we publish these results, the UK continues to emerge from the nationwide lockdown brought about by the COVID-19 pandemic. As noted in the 'fair review' above, the pandemic has brought about a reduction in our business, but overall, we again hope to remain financially resistant in the event of further COVID-19 spikes over the coming winter months.

Indeed, we remain confident that our business can continue to be successfully managed through these unprecedented challenges and beyond.

Approved by the Board on 29/9/2021 and signed on its behalf by:



Mr M P P Nella
Director

Nella Cutlery South Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the company

The directors who held office during the year were as follows:

Mrs N Ayres - Company secretary and director

Mr M F Nella

Mr S Nella

Mrs S Bull

Mr M P P Nella

Mrs C F Nella

Financial instruments

Objectives and policies

The company's principal financial instruments include bank overdrafts and loans, the main purpose of which is to raise finance for its operations. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations.

Price risk, credit risk, liquidity risk and cash flow risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring it has sufficient liquid resources to meet the operating needs of the business.

Investments of cash surpluses and borrowings are made through banks and institutions which must fulfill credit rating criteria approved by the Board. All customers who wish to trade on credit terms are subject to credit verification procedures and trade debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

Future developments

The company has a strong commitment to all its customers and despite the impact of COVID19 in the post balance sheet period which is detailed in the Strategic Report the company is expected to continue to seek new opportunities to maintain its strong position in the market.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 29/9/2021 and signed on its behalf by:



Mr M P P Nella
Director

Nella Cutlery South Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

Nella Cutlery South Limited

Independent Auditor's Report to the Members of Nella Cutlery South Limited

Opinion

We have audited the financial statements of Nella Cutlery South Limited (the 'company') for the year ended 31 December 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 entity'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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Nella Cutlery South Limited

Independent Auditor's Report to the Members of Nella Cutlery South Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of our 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 Statement of Directors' Responsibilities set out on page 6, 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.

Nella Cutlery South Limited

Independent Auditor's Report to the Members of Nella Cutlery South Limited

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:

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation, and distributable profits legislation.
- it is considered that there are no laws and regulations for which non-compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nella Cutlery South Limited

Independent Auditor's Report to the Members of Nella Cutlery South 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.



Andrew Warren (Senior Statutory Auditor)

For and on behalf of McBrides Accountants LLP, Statutory Auditor

Nexus House
Cray Road
Sidcup
Kent
DA14 5DA

Date: 22/2/21

Nella Cutlery South Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £	2018 £
Turnover	3	8,120,967	11,665,134
Cost of sales		<u>(5,470,146)</u>	<u>(6,745,192)</u>
Gross profit		2,650,821	4,919,942
Administrative expenses		(3,036,898)	(3,442,399)
Other operating income	4	<u>1,051,865</u>	<u>-</u>
Operating profit	5	665,788	1,477,543
Interest payable and similar expenses	6	<u>(44,084)</u>	<u>(38,933)</u>
Profit before tax		621,704	1,438,610
Taxation	10	<u>(201,685)</u>	<u>(333,602)</u>
Profit for the financial year		<u><u>420,019</u></u>	<u><u>1,105,008</u></u>

No Statement of Comprehensive Income has been presented as there is no movement through other comprehensive income for the year.

Nella Cutlery South Limited
(Registration number: 9041555)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	1,670,369	2,082,108
Tangible assets	12	<u>1,038,456</u>	<u>1,276,139</u>
		<u>2,708,825</u>	<u>3,358,247</u>
Current assets			
Stocks	13	846,619	867,866
Debtors	14	1,261,575	1,643,261
Cash at bank and in hand		<u>1,336,235</u>	<u>1,047,247</u>
		3,444,429	3,558,374
Creditors: Amounts falling due within one year	16	<u>(2,081,438)</u>	<u>(2,365,481)</u>
Net current assets		<u>1,362,991</u>	<u>1,192,893</u>
Total assets less current liabilities		4,071,816	4,551,140
Creditors: Amounts falling due after more than one year	16	(1,097,224)	(1,120,844)
Provisions for liabilities	20	<u>(257,943)</u>	<u>(252,924)</u>
Net assets		<u>2,716,649</u>	<u>3,177,372</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Profit and loss account		<u>2,715,649</u>	<u>3,176,372</u>
Total equity		<u>2,716,649</u>	<u>3,177,372</u>

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Approved and authorised by the Board on 29/9/2021 and signed on its behalf by:



Mr M P P Nella
Director

Nella Cutlery South Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Profit and loss account £	Total £
At 1 January 2020	1,000	3,176,372	3,177,372
Profit for the year	-	420,019	420,019
Total comprehensive income	-	420,019	420,019
Dividends	-	(880,742)	(880,742)
At 31 December 2020	<u>1,000</u>	<u>2,715,649</u>	<u>2,716,649</u>

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	1,000	3,061,082	3,062,082
Profit for the year	-	1,105,008	1,105,008
Total comprehensive income	-	1,105,008	1,105,008
Dividends	-	(989,718)	(989,718)
At 31 December 2019	<u>1,000</u>	<u>3,176,372</u>	<u>3,177,372</u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in England.

The principal activity of the company is disclosed in the Strategic Report.

The address of its registered office and principal place of business is:

Murray House
Murray Road
Orpington
Kent
BR5 3QY

2 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, Financial Reporting Standard 102 - 'The Financial Reporting standard applicable in the United Kingdom and Republic of Ireland', and with the Companies Act 2006.

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Summary of disclosure exemptions

The company has taken advantage of the reduced disclosure exemptions for subsidiaries in accordance with FRS 102 Section 1.12. This has resulted in the omission of;

-Statement of cash flows

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report together with a summary of the key business risks the company faces. Despite the current uncertain economic outlook, the directors believe that the company is well placed to manage its business risks successfully, and to maintain positive cash flows for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Critical accounting judgements and key sources of estimation uncertainty

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

Specifically, judgements and estimates are required in determining the useful economic lives of fixed assets, the value of stocks and the recoverability of trade debtors.

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

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity;
- and specific criteria have been met for each of the company's activities.

Government grants

The company has adopted the accrual model for accounting for government grants. Grants relating to revenue are recognised in income on a systematic basis over the same period as the related costs for which the grant is intended to compensate. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Tax

The tax charge for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred corporation tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred corporation tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Short leasehold property	10% straight line
Plant and machinery	25% reducing balance / 2 years
Fixtures and fittings	25% reducing balance
Motor vehicles	25% reducing balance
Computer equipment	25% reducing balance

Goodwill

Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10% straight line

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Financial instruments

Classification

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets are classified as financial assets at fair value through profit or loss, loans and debtors, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Financial liabilities are classified as financial liabilities at fair value through profit and loss, loans and borrowings, trade and other creditors, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

Recognition and measurement

All financial instruments are recognised initially at fair value plus transaction costs. Thereafter financial instruments are stated at amortised cost using the effective interest rate method (less impairment where appropriate) unless the effect of discounting would be immaterial in which case they are stated at cost (less impairment where appropriate). The exception to this are those financial instruments where it is a requirement to continue recording them at fair value through profit and loss.

Impairment

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 of the asset have been affected.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade and other debtors

Trade and other debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment, except where the effect of discounting would be immaterial. In such cases debtors are stated at transaction price less impairment losses. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the transaction.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

The cost of finished goods comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Trade and other creditors

Trade and other creditors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, except where the effect of discounting would be immaterial. In such cases creditors are stated at transaction price.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Hire of goods and sale of equipment	<u>8,120,967</u>	<u>11,665,134</u>

The analysis of the company's turnover for the year by market is as follows:

	2020 £	2019 £
UK	7,894,647	11,318,191
Europe	<u>226,320</u>	<u>346,943</u>
	<u>8,120,967</u>	<u>11,665,134</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Government grants	<u>1,051,865</u>	<u>-</u>

5 Operating profit

Arrived at after charging/(crediting)

	2020 £	(As restated) 2019 £
Depreciation expense	739,090	816,491
Amortisation expense	411,739	412,441
Operating lease expense - property	387,962	351,622
(Profit)/loss on disposal of property, plant and equipment	<u>(4,340)</u>	<u>87,728</u>

6 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	34,700	34,700
Interest expense on other finance liabilities	<u>9,384</u>	<u>4,233</u>
	<u>44,084</u>	<u>38,933</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

	2020 £	2019 £
Wages and salaries	4,564,603	5,163,446
Social security costs	413,453	482,204
Pension costs, defined contribution scheme	89,887	88,323
	<u>5,067,943</u>	<u>5,733,973</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Production	65	67
Administration and support	60	53
Other departments	62	70
	<u>187</u>	<u>190</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	<u>46,020</u>	<u>47,700</u>

9 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	<u>10,000</u>	<u>10,700</u>

10 Taxation

Tax charged/(credited) in the profit and loss account

	2020 £	2019 £
Current taxation		
UK corporation tax	196,666	211,587
Deferred taxation		
Arising from origination and reversal of timing differences	<u>5,019</u>	<u>122,015</u>
Tax expense in the profit and loss account	<u>201,685</u>	<u>333,602</u>

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>621,704</u>	<u>1,438,610</u>
Corporation tax at standard rate	118,124	273,336
Effect of expense not deductible in determining taxable profit (tax loss)	7,402	606
Deferred tax expense from unrecognised temporary difference from a prior period	5,019	122,015
Tax increase/(decrease) from effect of capital allowances and depreciation	90,683	(43,650)
Tax (decrease)/increase from other short-term timing differences	(696)	1,440
Tax decrease arising from group relief	<u>(18,847)</u>	<u>(20,145)</u>
Total tax charge	<u>201,685</u>	<u>333,602</u>

Deferred tax

Deferred tax assets and liabilities

2020	Liability £
Difference between accumulated depreciation and amortisation and capital allowances	<u>132,942</u>
2019	Liability £
Difference between accumulated depreciation and amortisation and capital allowances	<u>127,924</u>

Based on current capital investment plans the company expects to continue to claim capital allowances in excess of depreciation in future years at a slightly lower level than in the current year.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11 Intangible assets

	Goodwill £	Total £
Cost or valuation		
At 1 January 2020	4,136,729	4,136,729
At 31 December 2020	4,136,729	4,136,729
Amortisation		
At 1 January 2020	2,054,621	2,054,621
Amortisation charge	411,739	411,739
At 31 December 2020	2,466,360	2,466,360
Carrying amount		
At 31 December 2020	1,670,369	1,670,369
At 31 December 2019	2,082,108	2,082,108

Amortisation expense for the year and last year are included in administrative expenses. The remaining amortisation period is 3.9 years, 7 years and 8 years.

12 Tangible assets

	Leasehold improvements £	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost or valuation					
At 1 January 2020	349,608	177,209	897,601	837,510	2,261,928
Additions	-	-	161,160	420,193	581,353
Disposals	-	-	(172,925)	(559,089)	(732,014)
At 31 December 2020	349,608	177,209	885,836	698,614	2,111,267
Depreciation					
At 1 January 2020	161,802	123,048	287,152	413,787	985,789
Charge for the year	34,960	13,541	165,884	524,705	739,090
Eliminated on disposal	-	-	(92,979)	(559,089)	(652,068)
At 31 December 2020	196,762	136,589	360,057	379,403	1,072,811
Carrying amount					
At 31 December 2020	152,846	40,620	525,779	319,211	1,038,456
At 31 December 2019	187,806	54,161	610,449	423,723	1,276,139

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

13 Stocks

	2020 £	2019 £
Other inventories	<u>846,619</u>	<u>867,866</u>

14 Debtors

	2020 £	2019 £
Trade debtors	537,790	1,429,470
Other debtors	401,089	434
Prepayments	<u>322,696</u>	<u>213,357</u>
Total current trade and other debtors	<u>1,261,575</u>	<u>1,643,261</u>

15 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	46	-
Cash at bank	<u>1,336,189</u>	<u>1,047,247</u>
	<u>1,336,235</u>	<u>1,047,247</u>

16 Creditors

	Note	2020 £	2019 £
Due within one year			
Loans and borrowings	17	58,320	85,569
Trade creditors		207,302	264,148
Amounts due to group undertakings	23	81,683	81,683
Social security and other taxes		404,528	548,953
Other creditors		660,166	694,375
Accruals and deferred income		477,223	679,166
Corporation tax	10	<u>192,216</u>	<u>11,587</u>
		<u>2,081,438</u>	<u>2,365,481</u>
Due after one year			
Loans and borrowings	17	<u>1,097,224</u>	<u>1,120,844</u>

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

17 Loans and borrowings

	2020 £	2019 £
Non-current loans and borrowings		
Bank borrowings	<u>1,097,224</u>	<u>1,120,844</u>
Current loans and borrowings		
Bank borrowings	<u>58,320</u>	<u>85,569</u>

Bank borrowings

Bank loans and overdrafts is denominated in Sterling with a nominal interest rate of 2.4% over base rate, and the final instalment is due on 18 September 2023. The carrying amount at the year-end is £1,155,544 (2019 - £1,206,413).

The bank loans and overdrafts are secured by a guarantee from other group members, a debenture and a first legal charge over the company's leasehold properties granted by Nella Limited.

18 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	750	750	750	750
Ordinary 'A' shares of £1 each	50	50	50	50
Ordinary 'B' shares of £1 each	50	50	50	50
Ordinary 'D' shares of £1 each	50	50	50	50
Ordinary 'E' shares of £1 each	50	50	50	50
Ordinary 'C' shares of £1 each	50	50	50	50
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Rights, preferences and restrictions

Ordinary Shares have the following rights, preferences and restrictions:

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All Ordinary shares rank equally with regard to the company's residual assets.

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

19 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	336,000	327,000
Later than one year and not later than five years	953,000	1,260,500
Later than five years	-	24,750
	<u>1,289,000</u>	<u>1,612,250</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £386,000 (2019 - £349,790).

20 Deferred tax and other provisions

	Deferred tax £	Other provisions £	Total £
At 1 January 2020	127,924	125,000	252,924
Increase (decrease) in existing provisions	<u>5,019</u>	<u>-</u>	<u>5,019</u>
At 31 December 2020	<u>132,943</u>	<u>125,000</u>	<u>257,943</u>

Other provisions relates to essential building works required under the company's operating leases.

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £89,887 (2019 - £88,323).

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

22 Dividends

Interim dividends paid

	2020 £	2019 £
Interim dividend of £1,174 (2019 - £1,320) per each Ordinary	880,742	989,718
Interim dividend of £Nil per each Ordinary 'A'	-	-
Interim dividend of £Nil per each Ordinary 'B'	-	-
Interim dividend of £Nil per each Ordinary 'C'	-	-
Interim dividend of £Nil per each Ordinary 'D'	-	-
Interim dividend of £Nil per each Ordinary 'E'	-	-
	<u>880,742</u>	<u>989,718</u>

23 Related party transactions

Transactions with directors

	At 1 January 2020 £	Advances to directors £	Repayments by director £	At 31 December 2020 £
2020				
Directors' loan accounts	<u>(1,777)</u>	<u>497,602</u>	<u>(519,563)</u>	<u>(23,738)</u>
	At 1 January 2019 £	Advances to directors £	Repayments by director £	At 31 December 2019 £
2019				
Directors' loan accounts	<u>79,747</u>	<u>264,856</u>	<u>(346,380)</u>	<u>(1,777)</u>

Director loans are provided interest free and without security.

Expenditure with and payables to related parties

	Other related parties £
2020	
Rendering of services	873,755
Leases	<u>362,900</u>
	<u>1,236,655</u>

Nella Cutlery South Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

	Other related parties £
2019	
Rendering of services	952,395
Leases	<u>324,000</u>
	<u>1,276,395</u>

Loans to related parties

	Other related parties £	Total £
2020		
Advanced	700,000	700,000
Repaid	<u>(300,000)</u>	<u>(300,000)</u>
At end of period	<u>400,000</u>	<u>400,000</u>

Loans from related parties

	Other related parties £	Total £
2020		
At start of period	578,992	578,992
Repaid	<u>(50,421)</u>	<u>(50,421)</u>
At end of period	<u>528,571</u>	<u>528,571</u>

	Other related parties £	Total £
2019		
At start of period	655,274	655,274
Advanced	89	89
Repaid	<u>(76,371)</u>	<u>(76,371)</u>
At end of period	<u>578,992</u>	<u>578,992</u>

24 Control

The company's immediate parent is Nella Holdings Limited, incorporated in England.

The largest entity producing publicly available financial statements is Nella Holdings Limited. These financial statements are available upon request from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

In the opinion of the directors there is no ultimate controlling party.