

BARLEY CHALU LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



BARLEY CHALU LIMITED

COMPANY INFORMATION

Directors	D Carman R Chalu E Chalu J Chalu M Cheshem-Panam
Company secretary	R Chalu
Registered number	00923921
Registered office	Ayton Road Wymondham Norfolk NR18 0QH
Independent auditors	Larking Gowen LLP Chartered Accountants & Statutory Auditors King Street House 15 Upper King Street Norwich NR3 1RB
Bankers	Bank of Scotland PLC 3 Queen Street Norwich Norfolk NR2 4SG

BARLEY CHALU LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 6
Statement of income and retained earnings	7
Statement of financial position	8
Statement of cash flows	9 - 10
Notes to the financial statements	11 - 29

BARLEY CHALU LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their strategic report for the year ended 31 December 2017.

Business review

2017 has largely been a 'flat' year in terms of financial performance. We continue to be profitable but capital pressures (in particular the construction of a new vertical pre-treatment system) have tested our financial controls and cash flow quite sternly.

Demand for our products remained healthy but fairly static. Gross profit has held up robustly and our net position for the year has enabled us to continue with plant investment and refurbishment.

Our customer base continued to be strong and, with our anodising facility, we are also securing healthy orders from new customers. As we look to 2018, we are confident that we can achieve growth in the new markets this anodising facility has opened to us.

Principal risks and uncertainties

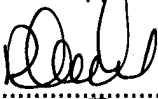
The management of the business and the execution of the Company's objectives are subject to a number of risks and uncertainties.

The key business risk relates to lack of control over customer related issues, such as demand, market fluctuations and requirements. Thereafter the risk of increased competition, from both UK and overseas markets, poses the greatest threat.

Financial key performance indicators

The directors are of the opinion that the key performance indicators for the Company are gross profit, profit after tax and cashflow.

This report was approved by the board on 20th September 2018 and signed on its behalf.



.....
R Chalu
Director

BARLEY CHALU LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Principal activity

The Company's principal activity is the provision of powder coating and thermal breaking services.

Results and dividends

The profit for the year, after taxation, amounted to £320,124 (2016 - £389,781).

The total dividends paid during the year were £240,000 (2016 - £610,000)

Directors

The directors who served during the year were:

D Carman
R Chalu
E Chalu
J Chalu
M Cheshem-Panam

Future developments

In 2017, we committed to an investment in the latest vertical pre-treatment and powder coating technology in a brand new factory, modernising further still our processes and ensuring all our customers current and future needs will be met in the best possible way through efficiency and product quality.

BARLEY CHALU LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial instruments

Treasury operations and financial instruments

The Company operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risk associated with the Company's activities. The Company's principal financial instruments include invoice financing. In addition, the Company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

This report was approved by the board on 20th September 2018 and signed on its behalf.



.....
R Chalu
Director

BARLEY CHALU LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARLEY CHALU LIMITED

Opinion

We have audited the financial statements of Barley Chalu Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of income and retained earnings, the Statement of financial position, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The 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 Auditors' 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

BARLEY CHALU LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARLEY CHALU LIMITED (CONTINUED)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 2, 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.

BARLEY CHALU LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARLEY CHALU LIMITED (CONTINUED)

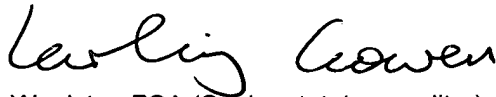
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

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 Auditors' 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.



Jonathan Woolston FCA (Senior statutory auditor)
for and on behalf of

Larking Gowen LLP
Chartered Accountants
Statutory Auditors
Norwich

Date: 20 September 2018

BARLEY CHALU LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	6,295,019	6,272,863
Cost of sales		(3,073,532)	(3,128,922)
Gross profit		3,221,487	3,143,941
Distribution costs		(519,135)	(514,907)
Administrative expenses		(2,188,227)	(2,019,989)
Operating profit	5	514,125	609,045
Interest payable and expenses	9	(114,532)	(120,475)
Profit before tax		399,593	488,570
Tax on profit	10	(79,469)	(98,789)
Profit after tax		320,124	389,781
Retained earnings at the beginning of the year		1,546,394	1,766,613
Profit for the year		320,124	389,781
Dividends declared and paid	11	(240,000)	(610,000)
Retained earnings at the end of the year		1,626,518	1,546,394

The notes on pages 11 to 29 form part of these financial statements.

BARLEY CHALU LIMITED
REGISTERED NUMBER: 00923921

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	2,626,841	2,648,425
		<u>2,626,841</u>	<u>2,648,425</u>
Current assets			
Stocks	13	212,350	203,200
Debtors: amounts falling due within one year	14	2,244,360	2,273,883
Cash at bank and in hand	15	1,749	1,815
		<u>2,458,459</u>	<u>2,478,898</u>
Creditors: amounts falling due within one year	16	(2,570,631)	(2,583,394)
Net current liabilities		<u>(112,172)</u>	<u>(104,496)</u>
Total assets less current liabilities		<u>2,514,669</u>	<u>2,543,929</u>
Creditors: amounts falling due after more than one year	17	(647,578)	(777,162)
Provisions for liabilities			
Deferred tax	21	(230,573)	(210,373)
		<u>(230,573)</u>	<u>(210,373)</u>
Net assets		<u><u>1,636,518</u></u>	<u><u>1,556,394</u></u>
Capital and reserves			
Called up share capital	22	10,000	10,000
Profit and loss account	23	1,626,518	1,546,394
		<u><u>1,636,518</u></u>	<u><u>1,556,394</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

20th September 2018



.....
R Chalu

Director

The notes on pages 11 to 29 form part of these financial statements.

BARLEY CHALU LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	320,124	389,781
Adjustments for:		
Depreciation of tangible assets	351,848	222,557
Loss on disposal of tangible assets	2,907	848
Interest paid	114,532	120,475
Taxation charge	79,469	98,789
Increase in stocks	(9,150)	(26,064)
Decrease in debtors	106,855	618,319
(Increase)/decrease in amounts owed by groups	(77,332)	223,943
Decrease in creditors	(64,551)	(292,974)
Increase in amounts owed to groups	899	24,588
Corporation tax paid	(69,116)	(93,467)
Net cash generated from operating activities	756,485	1,286,795
Cash flows from investing activities		
Purchase of tangible fixed assets	(385,671)	(641,720)
Sale of tangible fixed assets	52,500	-
HP interest paid	(26,266)	(22,381)
Net cash from investing activities	(359,437)	(664,101)
Cash flows from financing activities		
New secured loans	-	279,691
Repayment of loans	(25,298)	-
Other new loans	16,812	-
Repayment of other loans	-	(66,082)
(Repayment of)/new finance leases	(88,652)	435,369
Movements on invoice discounting	(67,672)	(513,510)
Dividends paid	(240,000)	(610,000)
Interest paid	(88,266)	(98,094)
Net cash used in financing activities	(493,076)	(572,626)
Net (decrease)/increase in cash and cash equivalents	(96,028)	50,068
Cash and cash equivalents at beginning of year	(150,128)	(200,196)
Cash and cash equivalents at the end of year	(246,156)	(150,128)

BARLEY CHALU LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£	£
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,749	1,815
Bank overdrafts	(247,905)	(151,943)
	<u>(246,156)</u>	<u>(150,128)</u>

The notes on pages 11 to 29 form part of these financial statements.

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Barley Chalu Limited is a private company, limited by shares, incorporated in England and Wales, registration number 00923921. The registered office is Ayton Road, Wymondham, Norfolk, NR18 0QH. The Company's principal activity is the provision of powder coating and thermal breaking services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in sterling which is the functional currency of the Company and rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

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

2.2 Going concern

The Company meets its day to day working capital requirements through an invoice financing facility which is secured against trade debtors.

The Company's continued trading depends on its ability to remain within its borrowing facility. The Company refinanced their banking facility in February 2018 and the directors are therefore of the opinion that the Company has adequate resources to continue its operations for the foreseeable future.

For the reasons outlined above, the director's view is that it is appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Statement of income and retained earnings during the period in which they are incurred.

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as listed below.

Depreciation is provided on the following basis:

Long-term leasehold property	- 2% straight line
Plant and machinery	- 15% / 25% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% reducing balance
Computer equipment	- 20% straight line
Assets under construction	- Assets in the course of construction are not depreciated during the period of construction

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of income and retained earnings.

2.7 Debtors

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

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangement of a short-term instrument constitutes a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

2.12 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

2.14 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of income and retained earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income 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 income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The judgements, estimates and assumptions which have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Stock provisioning

The Company's sales are subject to consumer demands and trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

4. Turnover

The total turnover of the Company for the year has been derived from its principal activity.

All turnover arose within Europe.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets-owned	121,403	115,430
Depreciation of tangible assets-held under hire purchase agreements	230,445	107,127
Other operating lease rentals	61,687	49,845
Defined contribution pension cost	89,079	103,045

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6. Auditors' remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	13,530	13,140

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£	£
Wages and salaries	2,148,327	1,960,091
Social security costs	194,569	187,975
Cost of defined contribution pension scheme	89,079	103,045
	2,431,975	2,251,111

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Employees	75	72

8. Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	371,930	326,074
Company contributions to defined contribution pension schemes	68,448	79,434
	440,378	405,508

During the year retirement benefits were accruing to 5 directors (2016 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £119,511 (2016 - £87,559).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,881 (2016 - £24,600).

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	31,595	23,272
Other loan interest payable	32,719	38,166
Hire purchase interest payable	26,266	22,381
Other interest payable	23,952	36,656
	<u>114,532</u>	<u>120,475</u>

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	59,269	63,913
Adjustments in respect of previous periods	-	12,671
Total current tax	<u>59,269</u>	<u>76,584</u>
Deferred tax		
Origination and reversal of timing differences	20,200	22,205
Taxation on profit on ordinary activities	<u>79,469</u>	<u>98,789</u>

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>399,593</u>	<u>488,570</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	76,908	97,714
Effects of:		
Expenses not deductible for tax purposes	1,462	706
Capital allowances for year in excess of depreciation	3,769	3,915
Adjustments to tax charge in respect of prior periods	-	12,671
Difference between corporation tax and deferred tax rates	(2,670)	(16,217)
Total tax charge for the year	<u>79,469</u>	<u>98,789</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

	2017 £	2016 £
Dividends paid on equity capital	<u>240,000</u>	<u>610,000</u>

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Assets under construc- tion £	Total £
Cost or valuation						
At 1 January 2017	978,569	4,061,428	113,150	239,557	-	5,392,704
Additions	-	4,195	84,330	14,838	282,308	385,671
Disposals	-	(7,200)	(88,400)	(24,650)	-	(120,250)
At 31 December 2017	978,569	4,058,423	109,080	229,745	282,308	5,658,125
Depreciation						
At 1 January 2017	428,089	2,068,214	41,426	206,550	-	2,744,279
Charge on owned assets	19,574	85,033	8,807	7,989	-	121,403
Charge on financed assets	-	214,631	15,814	-	-	230,445
Disposals	-	(6,769)	(35,309)	(22,765)	-	(64,843)
At 31 December 2017	447,663	2,361,109	30,738	191,774	-	3,031,284
Net book value						
At 31 December 2017	530,906	1,697,314	78,342	37,971	282,308	2,626,841
At 31 December 2016	550,480	1,993,214	71,724	33,007	-	2,648,425

Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	1,216,239	1,430,870
Motor vehicles	68,518	54,260
	1,284,757	1,485,130

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Stocks

	2017 £	2016 £
Raw materials	206,298	203,200
Work in progress	6,052	-
	<u>212,350</u>	<u>203,200</u>

Stock recognised in cost of sales during the year as an expense was £1,053,308 (2016 - £1,048,272).

An impairment loss of £Nil (2016- £Nil) was recognised in cost of sales against stock due to the year due to slow-moving and obsolete stock.

14. Debtors

	2017 £	2016 £
Trade debtors	1,015,362	1,105,533
Amounts owed by group undertakings	1,198,736	1,121,404
Other debtors	9,017	22,235
Prepayments and accrued income	21,245	24,711
	<u>2,244,360</u>	<u>2,273,883</u>

Within trade debtors, the balance of £1,015,362 (2016: £1,105,533) acts as security against £985,630 (2016: £1,053,302) of factored debts (note 16).

15. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	1,749	1,815
Less: bank overdrafts	(247,905)	(151,943)
	<u>(246,156)</u>	<u>(150,128)</u>

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	247,905	151,943
Bank loans	26,526	25,298
Other loans	90,378	68,380
Trade creditors	276,881	433,312
Amounts owed to group undertakings	201,787	200,888
Corporation tax	54,066	63,913
Other taxation and social security	205,051	219,814
Obligations under hire purchase contracts	119,965	110,745
Proceeds of factored debts	985,630	1,053,302
Other creditors	184,929	110,238
Accruals and deferred income	177,513	145,561
	<u>2,570,631</u>	<u>2,583,394</u>

Secured Loans

The bank loan is repayable over a term of 20 years from the draw down date of 8 May 2007. Interest is payable on the loan at the rate of 2.25% per annum over the bank's Sterling base rate.

The bank borrowings are secured by a mortgage debenture dated 11 May 2007, incorporating specific charges over the leasehold property and a floating charge over all other assets.

The factored debts of £985,630 (2016 - £1,053,302) are part-secured by the trade debtors balance (note 14).

Other loans relate to three loans from the Future Metal Pension Fund.

One loan is repayable over a term of 5 years from the draw down date of 3 April 2014. Interest is payable on the loan at the rate of 6% per annum above the Barclays Sterling base rate. The loan is secured by legal charge over leasehold property owned by the Company.

The second loan is repayable over a term of 5 years from the draw down date of 21 October 2015. Interest is payable on the loan at the rate of 6% per annum above the Barclays Sterling base rate. The loan is secured by legal charge over the assets to be purchased with the proceeds of the loan, namely 2 three phase electrical transformers.

The third loan is repayable over a term of 5 years from the draw down date of 9 March 2017. Interest is payable on the loan at the rate of 6% per annum above the Barclays Sterling base rate. The loan is secured by legal charge over leasehold property owned by the Company.

Obligations under hire purchase contracts are secured on the asset to which they relate.

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	227,867	254,393
Other loans	135,437	140,623
Net obligations under hire purchase contracts	284,274	382,146
	<u>647,578</u>	<u>777,162</u>

Secured loans

The bank loan is repayable over a term of 20 years from the draw down date of 8 May 2007. Interest is payable on the loan at the rate of 2.25% per annum over the bank's Sterling base rate.

The bank borrowings are secured by a mortgage debenture dated 11 May 2007, incorporating specific charges over the leasehold property and a floating charge over all other assets.

Other loans relate to three loans from the Future Metal Pension Fund as well as a loan from the bank.

One loan is repayable over a term of 5 years from the draw down date of 3 April 2014. Interest is payable on the loan at the rate of 6% per annum above the Barclays Sterling base rate. The loan is secured by legal charge over leasehold property owned by the Company.

The second loan is repayable over a term of 5 years from the draw down date of 21 October 2015. Interest is payable on the loan at the rate of 6% per annum above the Barclays Sterling base rate. The loan is secured by legal charge over the assets to be purchased with the proceeds of the loan, namely 2 three phase electrical transformers.

The third loan is repayable over a term of 5 years from the draw down date of 9 March 2017. Interest is payable on the loan at the rate of 6% per annum above the Barclays Sterling base rate. The loan is secured by legal charge over leasehold property owned by the Company.

Obligations under hire purchase contracts are secured on the asset to which they relate.

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	26,526	25,298
Other loans	90,378	68,380
	<u>116,904</u>	<u>93,678</u>
Amounts falling due 1-2 years		
Bank loans	27,703	26,526
Other loans	66,503	74,058
	<u>94,206</u>	<u>100,584</u>
Amounts falling due 2-5 years		
Bank loans	90,645	86,795
Other loans	68,934	66,565
	<u>159,579</u>	<u>153,360</u>
Amounts falling due after more than 5 years		
Bank loans	109,519	141,072
	<u>480,208</u>	<u>488,694</u>

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Hire purchase

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	152,228	153,371
Between 1-5 years	152,228	153,371
Over 5 years	164,691	289,817
	<u>469,147</u>	<u>596,559</u>
Less: finance charges allocated to future periods	(64,908)	(103,668)
	<u><u>404,239</u></u>	<u><u>492,891</u></u>

20. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u><u>2,223,115</u></u>	<u><u>2,249,172</u></u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u><u>(2,549,092)</u></u>	<u><u>(2,583,938)</u></u>

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise all creditors falling due within and after one year, excluding the creditors for corporation tax, taxation and social security and amount due under hire purchase contracts.

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

21. Deferred taxation

	2017 £
At beginning of year	210,373
Charged to profit or loss	20,200
At end of year	230,573

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	230,573	210,373

The amount of deferred tax expected to occur next year is £5,238 (2016 -net reversal £5,311) relating to the net reversal of existing timing differences on tangible fixed assets.

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

23. Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profit and losses

24. Contingent liabilities

The Company together with Future Metal Holdings Limited has given an cross-guarantee to its bankers in respect of monies due to the bank by the parties to the guarantee. The bank guarantee is secured by a debenture. At 31 December 2017 the contingent liability in respect of this agreement amounted to £715,807 (2016: £820,164).

25. Capital commitments

At 31 December 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	<u>466,190</u>	<u>-</u>

26. Pension commitments

The Company operates three defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The Company's contributions are charged to the Statement of income and retained earnings in the year in which they are made. The pension charge for the year was £89,079 (2016 - £103,045). There were no contributions outstanding at 31 December 2016 or 31 December 2017.

BARLEY CHALU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

27. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	61,480	47,984
Later than 1 year and not later than 5 years	62,907	50,357
	<u>124,387</u>	<u>98,341</u>

28. Related party transactions

The Company has taken advantage of the exemption in Section 33 of Financing Reporting Standard 102 from the requirement to disclose transactions with wholly owned companies within the Group.

The total key management personnel compensation in 2017 was £440,378 (2016 - £405,508).

During the year the Company made payments to a related pension scheme of £56,000 (2016 - £56,000) in respect of rent.

Included within creditors is a loan due to a related pension scheme of £225,815 (2016 - £209,003). Interest is payable on the loan at a rate of 6% over Barclays base rate.

A loan to a director of the Company, had a balance outstanding at the year end of £5,640 (2016: £5,640). This loan has been provided in line with HMRC's official rate of interest with no fixed repayment schedule.

During the year, payments were made for goods and services on behalf of a former director of the Company and a close family member of current directors, amounting to £7,304 (2016 - £7,732).

29. Controlling party

The controlling party is the parent company, Future Metal Holdings Limited, a Company registered in England and Wales, by virtue of a 100% holding of the issued share capital of the Company.

The ultimate controlling party is the directors of Future Metal Holdings Limited. No single director has overall control of the Group.