

Registered number: 01564200

Innerglass Limited

Annual report

31 July 2020

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Innerglass Limited

Company information

Directors	S Hoey L Tait S D Hoey N L Hoey
Registered number	01564200
Registered office	IG House Burdon Drive North West Industrial Estate Peterlee County Durham SR8 2JH
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Bankers	HSBC Floor 3 Central Square South Orchard Street Newcastle Upon Tyne NE1 3AZ

Innerglass Limited

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Innerglass Limited

Strategic report Year ended 31 July 2020

Introduction

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

Business review and future developments

The principal activity of the company (which trades as the IG Group) is the supply of wares and requisites to the leisure industry.

During the year the directors made several changes to systems and working practices in order to capitalise on the potential savings identified through improved efficiencies as well as continuing to promote IG Group's new products within the market. This was all part of the strategy to increase the gross margin and reduce overheads. During the first half of the financial year, turnover remained consistent with the prior year but the gross profit margin for the business started to improve. At the beginning of the 2020 calendar year, the directors started to track the Coronavirus disease (Covid-19) which resulted in a reassessment of the business plan with a plan being revised based on the information available and how it would impact on the business. As we moved into March with lockdown having a major impact on the hospitality sector, all aspects of the business plan were revised.

With 70% of our business being to the hospitality sector and 30% to contract cleaners and care homes, our revenue for the remainder of the 2020 financial year was revised. With the leisure sector being closed for almost four months we expect turnover to fall by £7m in the 2020 financial year. The final four months of the 2020 financial year were reforecast however, sales to July 2020 are much higher than we forecast due to the supply of PPE and cleaning products to existing and new customers in the care home and contract cleaning industry. Overall, the company has performed significantly better than the forecasts for this period. The hospitality sector will also have a need for PPE and more cleaning product going forward so we see that as an area of growth. We regard these new sales, especially PPE as now being part of the new normal and as such will add to the turnover as we come out of lockdown. We do not expect full recovery to be until vaccinations hit 90% of the UK and estimate May and June to see a return to normal.

During the lockdown, our costs have been looked at in detail and the directors have taken the decision to close our London depot and transfer all business for distribution into London, from Peterlee on a next day basis. The closure of the London depot will reduce costs significantly with rent being saved and capacity at Peterlee being utilised. Other cost saving measures have taken place with the company utilising government schemes including the furlough scheme with many of the staff being furloughed at the end of March and these have slowly returned to work as demand has increased now that the hospitality sector has opened up.

In May 2020 the directors successfully negotiated an overdraft facility with HSBC and also took out a government backed CBILS loan. The company traded above expectation from August 2020 to December 2020. At the date of signing these financial statements the company is in the process of renewing facilities with HSBC through to May 2022, the bank remains fully supportive of the company.

January to March saw a return to Covid forecast in line with expectation and a second lock down. In April, the activity in the business increased significantly and was ahead of the forecasts prepared for the bank, reflecting the move back to normality on 21 June 2021. The company has aligned its purchases, general spending, staff bonuses and costs to mirror Covid and as a result cash flow and liquidity has been better than anticipated, especially with the benefit of the Government backed furlough scheme. The directors have a reasonable expectation that the IG Group has adequate resources to continue in operational existence for the foreseeable future.

Innerglass Limited

Strategic report (continued) Year ended 31 July 2020

Financial key performance indicators (KPIs)

The directors consider turnover, gross profit margin and EBITDA (earnings before interest, tax, depreciation and amortisation) to be the key measures of the company's performance.

- Turnover has fallen by 12% to £22.2m;
- Gross profit margin has increased to 22.7% (2019 - 21.4%);
- EBITDA has increased to £475,669 (2019 - £344,056).

The directors are satisfied with performance on these KPIs given the trading conditions forced upon the business in 2020. It is expected that these indicators will improve year on year going forward during the implementation of new products and the wider market it now has access to.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The board review these risks and puts in place policies to mitigate them.

The key business risks are:

Environment, health and safety incidents

Appropriate measures are implemented to ensure the risk of any environmental, health and safety issues are minimised. The company currently holds BS ISO 9001:2015 and BS ISO 14001:2015 certificates for quality control and strives to maintain high standards in these areas.

Interest rate risk

The company monitors interest rate risk and considers that its current policy meets its objectives of managing its exposure.

Credit risk

The company monitors credit risk and considers that its current policy of strict credit checks meets its objectives of managing its exposure. The company also has credit insurance on higher risk debts.

Liquidity risk

The directors regularly monitor the financial information to ensure that any risks in this area are considered on a timely basis.

Foreign exchange rate risk

The directors regularly monitor the financial information to ensure that any risks in this area are considered on a timely basis. The company has managed to negotiate terms with its largest overseas suppliers to trade in pound sterling to minimise known exchange rate exposure.

Coronavirus risk

Further to the global outbreak of the Coronavirus disease (COVID-19), the directors of the company continue to assess the potential risk to the operation of the business on a daily basis. At the time of the signing of these financial statements, there has been no unmanageable impact on either the main contracts, customers or employees within the company.

The company has several ongoing 'blue chip' contracts and customers, an excellent order book and significant financial headroom following the support provided by HSBC. The directors have considered several scenarios and sensitivities in relation to working capital, gross margin reduction and a reduction in the pipeline of opportunities which indicate sufficient headroom within the currently available cash and agreed available funding facilities.

Supply chain risk

Innerglass Limited

Strategic report (continued) Year ended 31 July 2020

The company's continued success is reliant on maintaining strong working relationships with all of its suppliers. Significant effort is placed on working with suppliers to ensure minimal disruption to the supply chain with this being a real area of focus due to COVID-19. As COVID-19 has evolved and as it continues to evolve, the company will continue to work proactively with suppliers to maintain ongoing product supply.

Employee risk

The company has adopted Government guidance by allowing staff to work from home and ensuring warehouse staff follow social distancing rules. Staff welfare and availability is being monitored daily to ensure business operations continue uninterrupted.

This report was approved by the board on 29 April 2021 and signed on its behalf by:



S Hoey
Director

Innerglass Limited

Directors' report Year ended 31 July 2020

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

Results and dividends

The profit for the year, after taxation, amounted to £179,592 (2019 - £150,209).

The directors do not recommend a final dividend in respect of the year.

Directors

The directors who served during the year, and changes since the year end were as follows:

S Hoey
L Tait
S D Hoey
N L Hoey

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 29 April 2021 and signed on its behalf by:


S Hoey
Director

Innerglass Limited

Directors' responsibilities statement Year ended 31 July 2020

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in directors' reports may differ from legislation in other jurisdictions.



Independent auditor's report to the members of Innerglass Limited

Opinion

We have audited the financial statements of Innerglass Limited ('the company') for the year ended 31 July 2020, which comprise the profit and loss account, the balance sheet, the statement of cash flows, the statement of changes in equity 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 July 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 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.



Independent auditor's report to the members of Innerglass Limited (continued)

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.

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.



Independent auditor's report to the members of Innerglass Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 5, 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.

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.

Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Michael Morris'.

Michael Morris FCA FCCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle Upon Tyne

29 April 2021

Innerglass Limited

Statement of comprehensive income **Year ended 31 July 2020**

	Note	2020 £	2019 £
Profit and loss account:			
Turnover	5	22,193,968	25,254,273
Cost of sales		(17,255,370)	(19,849,349)
Gross profit		4,938,598	5,404,924
Distribution costs		(3,110,786)	(3,217,508)
Administrative expenses		(1,823,277)	(1,936,043)
Other operating income	6	277,215	2,022
Operating profit	7	281,750	253,395
Interest payable and similar charges	10	(49,640)	(59,057)
Profit before tax		232,110	194,338
Tax on profit	11	(52,518)	(44,129)
Profit for the financial year		179,592	150,209
Other comprehensive income:			
Unrealised (deficit)/ surplus on revaluation of tangible fixed assets (net of deferred tax)		67	(12,485)
Other comprehensive income for the year		67	(12,485)
Total comprehensive income for the year		179,659	137,724

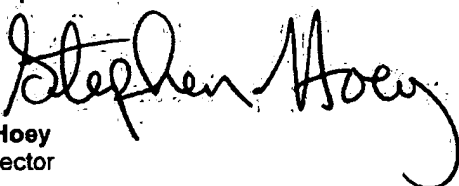
The notes on pages 13 to 24 form part of these financial statements.

Innerglass Limited

Balance sheet **At 31 July 2020**

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	12,799	19,479
Tangible assets	13	678,479	720,856
		<u>691,278</u>	<u>740,335</u>
Current assets			
Stocks	14	4,068,646	3,736,813
Debtors	15	7,329,263	4,918,153
Cash at bank and in hand		356,494	7,280
		<u>11,754,403</u>	<u>8,662,246</u>
Creditors: amounts falling due within one year	16	(8,102,976)	(6,719,113)
Net current assets		<u>3,651,427</u>	<u>1,943,133</u>
Total assets less current liabilities		<u>4,342,705</u>	<u>2,683,468</u>
Creditors: amounts falling due after more than one year		(1,484,043)	-
Provisions for liabilities			
Deferred tax	19	(33,574)	(38,039)
Net assets		<u>2,825,088</u>	<u>2,645,429</u>
Capital and reserves			
Called up share capital	20	602	602
Revaluation reserve	21	386,638	391,438
Capital redemption reserve	21	398	398
Profit and loss account	21	2,437,450	2,252,991
Total equity		<u>2,825,088</u>	<u>2,645,429</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2021.


S Hoey
Director

Company registered number: 01564200
The notes on pages 13 to 24 form part of these financial statements.

Innerglass Limited

Statement of changes in equity **Year ended 31 July 2020**

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 August 2018	602	398	408,790	2,097,915	2,507,705
Comprehensive income:					
Profit for the year	-	-	-	150,209	150,209
Deferred tax on revaluation of property	-	-	(12,485)	-	(12,485)
Other comprehensive income for the year	-	-	(12,485)	-	(12,485)
Total comprehensive income for the year	-	-	(12,485)	150,209	137,724
Transfers between reserves	-	-	(4,867)	4,867	-
Total transactions with owners	-	-	(4,867)	4,867	-
At 1 August 2019	602	398	391,438	2,252,991	2,645,429
Comprehensive income:					
Profit for the year	-	-	-	179,592	179,592
Deferred tax on revaluation of property	-	-	67	-	67
Other comprehensive income for the year	-	-	67	-	67
Total comprehensive income for the year	-	-	67	179,592	179,659
Transfers between reserves	-	-	(4,867)	4,867	-
Total transactions with owners	-	-	(4,867)	4,867	-
At 31 July 2020	602	398	386,638	2,437,450	2,825,088

Innerglass Limited

Statement of cash flows **Year ended 31 July 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	179,592	150,209
Adjustments for:		
Amortisation of intangible assets	18,580	20,705
Depreciation of tangible assets	57,737	68,742
Interest payable	49,640	59,057
Taxation charge	52,518	44,129
Increase in stocks	(331,833)	(4,037)
(Increase)/decrease in debtors	(2,411,111)	752,343
Increase in creditors	2,657,442	195,851
Corporation tax paid	(43,836)	(34,943)
Net cash generated from operating activities	228,729	1,252,056
Cash flows from investing activities		
Purchase of intangible fixed assets	(11,900)	(7,000)
Purchase of tangible fixed assets	(15,360)	(67,704)
Net cash from investing activities	(27,260)	(74,704)
Cash flows from financing activities		
New secured loans	1,550,000	-
Interest paid	(49,640)	(59,057)
Net cash used in financing activities	1,500,360	(59,057)
Net increase in cash and cash equivalents	1,701,829	1,118,295
Cash and cash equivalents at beginning of year	(1,914,539)	(3,032,834)
Cash and cash equivalents at the end of year	(212,710)	(1,914,539)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	356,494	7,280
Bank invoice discounting facility	(569,204)	(1,921,819)
	(212,710)	(1,914,539)

The notes on pages 13 to 24 form part of these financial statements.

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

1. General information

Innerglass Limited (the company) supplies wares and requisites to the leisure industry.

The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is given in the company information page of this report.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*' ('FRS 102') and the Companies Act 2006.

3. Accounting policies

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 periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention, unless otherwise stated in these accounting policies. They are presented in pounds sterling, which is the functional currency of the company.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern

In light of global events which persist at the date of approval of these financial statements, the directors have also taken measures to counter the potential impact of Covid-19 on the company's operations and the resultant impact on financial headroom. Contingency plans have been implemented to mitigate the risk of employee absence and supply chain failure through working practices designed to protect employees' welfare and through advance purchase of the company's key supply requirements for the coming months. In addition, the UK government have announced a series of funding measures which, as noted in the strategic report the company agreed with HSBC access to a government backed CBILs loan to provide further headroom in May 2020. Facilities are also in the process of being agreed for a further 12 months from May 2021.

Whilst the risks in this regard cannot be completely mitigated and therefore some level of future uncertainty remains, the directors have adopted measures and assessed the financial implications of associated factors outside their control and do not consider the residual uncertainties to be material to the group's ability to continue meeting its liabilities as they fall due in the foreseeable future.

3.3 Revenue recognition

Turnover comprises revenue recognised in respect of goods and services supplied during the year, net of discounts and excluding Value Added Tax. Turnover is recognised on despatch of goods to the customer.

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

3. Accounting policies (continued)

3.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided at a rate calculated to write off the cost of intangible assets over their expected useful lives as follows:

Computer software	- 33.3% straight line
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3.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold property are stated at cost, less accumulated depreciation and accumulated impairment losses.

Freehold property is stated at revalued amount (fair value at the date of the revaluation) less subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the profit and loss account.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Freehold property	- 2% straight line
Plant and machinery	- 25% straight line
Fixtures, IT equipment and fittings	- 25% reducing balance and 33.3% straight line

The part of the annual depreciation charge on freehold property which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

3.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first-in, first-out (FIFO) method, and reflects the invoice price, adjusted for retrospective rebates and allowances.

Provision is made as necessary for damaged, obsolete or slow-moving items.

3.7 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities such as bank and cash balances, trade and other debtors and creditors, bank borrowings and loans to or from related parties. All such instruments are due within one year, and are measured, initially and subsequently at the transaction price.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

3. Accounting policies (continued)

3.8 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

The assets of the plan are held separately from the company in independently administered funds.

3.9 Leases

All the company's leasing arrangements are operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

3.10 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax expense is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods, and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing differences.

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

4. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments in applying the entity's accounting policies

The company has entered into rebate arrangements with certain customers which are dependent on a number of factors, including the volume of product sold or total spend by the customer. The cost of rebates is recognised as and when the products to which the rebate relates are sold. Different rebate rates may be applicable when a customer achieves a higher level of sales and therefore the accrual for rebates at the year end is judgmental and based on the directors' best estimate of the sales level which will be achieved by the end of the rebate period.

Key sources of estimation uncertainty

Estimates included within these financial statements include depreciation charges and asset impairments (for example provisions against stock and debtors). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Turnover

The whole of turnover is attributable to the sale of goods within the United Kingdom.

6. Other operating income

	2020 £	2019 £
Other operating income	277,215	2,022
	<u>277,215</u>	<u>2,022</u>

7. Operating profit

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

	2020 £	2019 £
Depreciation of tangible fixed assets	57,737	68,742
Amortisation of intangible assets	18,580	20,706
Auditor's remuneration	12,250	11,845
Operating lease rentals	256,369	198,660
Stock provisions/(reversals)	202,701	37,602
Bad and doubtful debts	<u>22,529</u>	<u>21,227</u>

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

8. Employees

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

	2020 £	2019 £
Wages and salaries	3,127,513	3,056,895
Social security costs	246,998	241,387
Company contributions to defined contribution pension schemes	72,468	47,326
	<u>3,446,979</u>	<u>3,345,608</u>

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

	2020 No.	2019 No.
Office and management	52	60
Other	95	93
	<u>147</u>	<u>153</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	404,314	393,450
Company contributions to defined contribution pension schemes	6,702	25,808
	<u>411,016</u>	<u>419,258</u>

During the year retirement benefits were accruing to 4 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £168,551 (2019 - £183,021)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,315 (2019 - £12,976)

10. Interest payable

	2020 £	2019 £
On bank borrowings	<u>49,640</u>	<u>59,057</u>

Innerglass Limited

Notes to the financial statements **Year ended 31 July 2020**

11. Taxation

	2020 £	2019 £
Current tax		
UK Corporation tax on profits for the year	56,622	43,542
Adjustments in respect of previous periods	294	670
Total current tax	56,916	44,212
Deferred tax		
Origination and reversal of timing differences	(6,661)	(92)
Adjustments in respect of previous periods	-	(1)
Changes to tax rates	2,263	10
Total deferred tax	(4,398)	(83)
Taxation on profit on ordinary activities	52,518	44,129

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 -the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Profit on ordinary activities before tax	232,110	194,338
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 -19%)	44,101	36,924
Effects of:		
Expenses not deductible for tax purposes	5,860	6,877
Adjustments to tax charge in respect of previous periods	295	669
Non-taxable income	-	(350)
Changes to tax rates	2,262	10
Other	-	(1)
Total tax charge for the year	52,518	44,129

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

12. Intangible assets

	Software £
Cost	
At 1 August 2019	66,851
Additions	11,900
At 31 July 2020	<u>78,751</u>
Amortisation	
At 1 August 2019	47,372
Charge for the year	18,580
At 31 July 2020	<u>65,952</u>
Net book value	
At 31 July 2020	<u>12,799</u>
At 31 July 2019	<u>19,479</u>

Innerglass Limited

Notes to the financial statements **Year ended 31 July 2020**

13. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 August 2019	600,000	82,991	590,975	1,273,966
Additions	-	5,033	10,327	15,360
At 31 July 2020	600,000	88,024	601,302	1,289,326
Depreciation				
At 1 August 2019	11,313	72,751	469,046	553,110
Charge for the year	12,000	4,673	41,064	57,737
At 31 July 2020	23,313	77,424	510,110	610,847
Net book value				
At 31 July 2020	576,687	10,600	91,192	678,479
At 31 July 2019	588,687	10,240	121,929	720,856

The company's freehold property in Sunderland was valued on 11 September 2018 by GVA Grimley Limited, independent chartered surveyors. The directors are satisfied that there have been no changes in the year which would materially alter the valuation.

Under the historical cost basis, the property would be carried at cost of £315,515 with accumulated depreciation of £174,073 and therefore a net book value of £141,442.

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

14. Stocks

	2020 £	2019 £
Finished goods and goods for resale	4,068,646	3,736,813
	<u>4,068,646</u>	<u>3,736,813</u>

Stocks are stated after provisions for impairment of £395,189 (2019 - £192,488).

15. Debtors

	2020 £	2019 £
Trade debtors	4,469,035	3,986,598
Other debtors	594,481	378,847
Prepayments and accrued income	2,265,747	552,708
	<u>7,329,263</u>	<u>4,918,153</u>

Trade debtors are stated after provisions for impairment of £51,990 (2019 - £65,239).

16. Creditors: amounts falling due within one year

	2020 £	2019 £
Invoice discounting facility	569,204	1,921,819
Bank loans	65,957	-
Trade creditors	3,584,238	4,115,385
Corporation tax	56,622	43,542
Other taxation and social security	672,884	233,377
Other creditors	45	-
Accruals and deferred income	3,154,026	404,990
	<u>8,102,976</u>	<u>6,719,113</u>

The invoice discounting facility is secured by a charge over contract monies dated 15 June 2011.

Innerglass Limited

Notes to the financial statements **Year ended 31 July 2020**

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

	2020 £	2019 £
Bank loans	1,484,043	-
	<u>1,484,043</u>	<u>-</u>

18. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	65,957	-
Amounts falling due 1-2 years		
Bank loans	387,492	-
Amounts falling due 2-5 years		
Bank loans	1,096,551	-
	<u>1,550,000</u>	<u>-</u>

In May 2020 the company drew down a £1,550,000 loan via the Coronavirus Business Interruption Loan Scheme (CBILS) which is repayable over 48 quarterly instalments beginning in May 2021 after a 12 month interest and capital repayment holiday. The interest rate is 3.99% + LIBOR.

19. Deferred taxation

	2020 £	2019 £
At beginning of year	(38,039)	(25,637)
Credit to the profit and loss account in the year	4,398	83
(Charge) / credit to other comprehensive income in the year	67	(12,485)
At end of year	<u>(33,574)</u>	<u>(38,039)</u>

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed assets timing differences	34,866	39,196
Short term timing differences	(1,292)	(1,157)
	<u>33,574</u>	<u>38,039</u>

20. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
602 (2019 -602) Ordinary shares shares of £1.00 each	<u>602</u>	<u>602</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

21. Reserves

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold property, net of the associated deferred tax. Depreciation realised on the revaluation is transferred to the profit and loss reserve each year (again net of the associated deferred tax).

Capital redemption reserve

The capital redemption reserve has arisen on the company's re-purchase of its own shares and is not distributable.

Profit and loss account

The profit and loss account represents the company's cumulative profits / losses, net of cumulative dividends paid and other adjustments.

22. Contingent liabilities

The company is party to a Composite Company Limited Multilateral Guarantee with a connected company to collectively guarantee payment of their indebtedness to the bank. At the balance sheet date, the contingent liability (bank debts of the connected company) was £947,500 (2019 - £1,102,495).

Innerglass Limited

Notes to the financial statements Year ended 31 July 2020

23. Commitments under operating leases

Future minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
Within one year	194,584	228,099
After one year and before five years	172,981	246,591
	<u>367,565</u>	<u>474,690</u>

24. Related party transactions

The company is controlled by S Hoey. During the year, the company transacted with connected companies (also owned and controlled by S Hoey) as follows:

	2020 £	2019 £
Transactions during the year:		
Sales to connected companies	4,296,474	5,690,291
Recharges to connected companies	1,234,143	1,185,507
Recharges from connected companies	(476,382)	(468,369)
Balances at year end:		
Owed to the company (trade and other debtors)	938,857	1,234,307
Owed by the company (trade and other creditors)	-	-