

POLYSTAR PLASTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

POLYSTAR PLASTICS LIMITED

COMPANY INFORMATION

Directors	Mr J Talwar Mrs S Talwar Mr S Talwar Miss R Talwar
Company secretary	Mrs S Talwar
Registered number	02690339
Registered office	Peel House Peel Street Northam Southampton SO14 5QT
Independent auditor	James Cowper Kreston Chartered Accountants and Statutory Auditor Reading Bridge House George Street Reading Berkshire RG1 8LS

POLYSTAR PLASTICS LIMITED

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POLYSTAR PLASTICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2019

Business review

The principal activity of the Company during the year was the extrusion and conversion of industrial and consumer flexible packaging across a variety of markets and industries.

Polystar has had another strong year, and once again has managed to increase sales against the previous twelve-month period by over 4%. We are very encouraged by these results due to the amount of capex installations we completed during the year. The overall GP percentage though has been affected due to an increase in overheads, new key management, new offices and continued focus on R&D.

Despite operating within a highly competitive environment, the company remains focussed on key existing markets and has also developed a strong robust pipeline of new potential accounts in additional markets that will enhance the profile of the current customer base moving forward. As we have also now gained BRC/IOP (food grade) and ISO accreditation we will also continue to focus and expand our efforts in developing further new opportunities within the food and drink sector.

The year's impressive performance has meant that the company's turnover increased by over 4% to £28.74m. This has been the result of a number of factors including innovative product developments and an increasing the customer base by high levels of proactivity.

The Company places a similar importance on its green credentials as it does its financial performance and as a result has focussed on minimising not only its own carbon footprint but also that of our clients through education and consultation. This continued commitment to green film technology and technical film manufacture will ensure that it continues on its path as one of the UK's fastest growing polythene manufacturers.

The Company has continued to invest in 4 new state of the art extrusion lines for 2019, which will also aid the ability to target clients who will benefit from technical multi-layer films. This will be in film on a roll, conversion and even printed opportunities. In addition to this we have also purchased and installed new superior conversion equipment to increase our conversion outputs, this will enhance existing business and significantly improve service levels to food customers.

Our mission is to continue to exceed our customers expectations with service, value creation and quality. Leading the way in innovative and green packaging solutions.

Principal risks and uncertainties

The directors believe that the following are the principal risk factors affecting the company and the market in which it operates:

- Polymer price volatility
- Exchange rate fluctuations
- Changes in environmental legislation
- COVID-19

Where there is a potential risk of COVID-19 to the Company, as it provides goods for those companies included in the effort to combat the virus and to ensure shop shelves remain stocked, the directors consider the risk less significant than for other companies. The Directors have considered the financial position of the Company and have confidence that the Company is still a going concern. The COVID-19 outbreak has slowed trade but measures have been implemented to minimise disruption to staff and maintain profits and cash flows so it has not had a material impact on their assessment going forward. Based on their current knowledge, management do not expect it to do so going forward.

The directors monitor the above risks closely and policies have been formulated to mitigate any impact they may have.

POLYSTAR PLASTICS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2019**

Financial key performance indicators

The key performance indicators for the business are turnover and operating profit.

Through the development of new products, new customer in existing and new markets and improved purchasing, turnover increased from £27.56m to £28.74m.

Operating profits continue to be strong, standing at £1.1m, a slight decrease from last year, largely as a result of one off additional costs which include new state of the art offices, employment of key management in operations and sales and R&D development.

This report was approved by the board and signed on its behalf.

.....
Mr S Talwar
Director

Date: 29 April 2020

POLYSTAR PLASTICS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2019**

The directors present their report and the financial statements for the year ended 31 July 2019.

Directors

The directors who served during the year were:

Mr J Talwar
Mrs S Talwar
Mr S Talwar
Miss R Talwar

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.

Results and dividends

The profit for the year, after taxation, amounted to £794,873 (2018 - £1,672,822).

The total distribution of dividends for the year ended 31 July 2019 was £400,000 (2018: £1.280,000).

Future developments

Further details of the Company's future strategy can be found in the Strategic report.

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.

POLYSTAR PLASTICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2019**

Post balance sheet events

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

Auditor

The auditor, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....
Mr J Talwar

Director

Date: 29 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLYSTAR PLASTICS LIMITED

Opinion

We have audited the financial statements of Polystar Plastics Limited (the 'Company') for the year ended 31 July 2019, which comprise the Statement of Comprehensive Income, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLYSTAR PLASTICS LIMITED (CONTINUED)

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 3, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLYSTAR PLASTICS LIMITED (CONTINUED)

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.

Darren O'Connor BSc (Hons) FCCA ACA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

30 April 2020

POLYSTAR PLASTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2019

	Note	2019 £	2018 £
Turnover	4	28,742,682	27,565,691
Cost of sales		(23,590,187)	(21,999,007)
Gross profit		5,152,495	5,566,684
Administrative expenses		(4,050,440)	(3,377,794)
Operating profit	5	1,102,055	2,188,890
Interest receivable and similar income		329	155
Interest payable and expenses	8	(87,829)	(127,712)
Profit before tax		1,014,555	2,061,333
Tax on profit	9	(219,682)	(388,511)
Profit for the financial year		794,873	1,672,822

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

POLYSTAR PLASTICS LIMITED
REGISTERED NUMBER: 02690339

BALANCE SHEET
AS AT 31 JULY 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	4,761,205	4,068,456
		4,761,205	4,068,456
Current assets			
Stocks	11	3,999,231	1,872,747
Debtors: amounts falling due within one year	12	8,214,043	7,359,319
Cash at bank and in hand	13	1,904,583	232,067
		14,117,857	9,464,133
Current liabilities			
Creditors: amounts falling due within one year	14	(8,761,101)	(5,366,640)
Net current assets		5,356,756	4,097,493
Total assets less current liabilities		10,117,961	8,165,949
Non current liabilities			
Creditors: amounts falling due after more than one year	15	(2,725,547)	(1,229,184)
Provisions for liabilities			
Deferred tax	18	(176,865)	(116,089)
Net assets		7,215,549	6,820,676
Capital and reserves			
Called up share capital	19	10,000	10,000
Profit and loss account	20	7,205,549	6,810,676
		7,215,549	6,820,676

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

.....
Mr J Talwar

Director

Date: 29 April 2020

.....
Mr S Talwar

Director

Date:

29 April 2020

The notes on pages 12 to 26 form part of these financial statements.

POLYSTAR PLASTICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 August 2018	10,000	6,810,676	6,820,676
Profit for the year	-	794,873	794,873
Dividends: Equity capital	-	(400,000)	(400,000)
At 31 July 2019	10,000	7,205,549	7,215,549

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 August 2017	10,000	6,417,854	6,427,854
Profit for the year	-	1,672,822	1,672,822
Dividends: Equity capital	-	(1,280,000)	(1,280,000)
At 31 July 2018	10,000	6,810,676	6,820,676

The notes on pages 12 to 26 form part of these financial statements.

POLYSTAR PLASTICS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	794,873	1,672,822
Adjustments for:		
Depreciation of tangible assets	989,214	708,732
Loss on disposal of tangible assets	(1,500)	-
Interest paid	87,829	127,712
Interest received	(329)	(155)
Taxation charge	219,682	388,511
(Increase) in stocks	(2,126,484)	(423,405)
(Increase) in debtors	(817,503)	(602,662)
Increase in creditors	3,074,730	1,489,891
Corporation tax (paid)	(344,943)	(495,888)
Net cash generated from operating activities	1,875,569	2,865,558
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,681,963)	(1,651,439)
Sale of tangible fixed assets	1,500	-
Interest received	329	155
Net cash from investing activities	(1,680,134)	(1,651,284)
Cash flows from financing activities		
New secured loans	1,500,000	-
Repayment of secured loans	(387,899)	(380,213)
New finance leases	881,177	-
Repayment of finance leases	(28,368)	-
Dividends paid	(400,000)	(1,280,000)
Interest paid	(87,829)	(127,712)
Net cash used in financing activities	1,477,081	(1,787,925)
Net increase/(decrease) in cash and cash equivalents	1,672,516	(573,651)
Cash and cash equivalents at beginning of year	232,067	805,718
Cash and cash equivalents at the end of year	1,904,583	232,067
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,904,583	232,067

The notes on pages 12 to 26 form part of these financial statements.

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

1. General information

Polystar Plastics Limited is a private company limited by share capital, incorporated in England and Wales. The principal place of trade and registered office of the Company is Peel House, Peel Street, Northam, Southampton, SO14 5QT.

The Company's principal activity is the extrusion and conversion of industrial and consumer flexible packaging.

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 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 following principal accounting policies have been applied:

2.2 Going concern

The directors have considered the financial position of the Company and believe it to be a going concern on the basis it is profitable, it has significant cash reserves and the directors expect this to remain so with the Company being involved in the supply chain to keep shops stocked, and supplying the health sector in efforts to combat the virus. The COVID-19 outbreak has so far not had a material impact on this assessment and, based on their current knowledge, the directors do not expect it to do so going forward. Consequently, the financial statements have been prepared on a going concern basis.

2.3 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue 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 revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

2. Accounting policies (continued)

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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- 10% per annum
Plant and machinery	- 10% to 20% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 10% per annum
Computer equipment	- 25% per annum

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 Comprehensive Income.

All costs incurred on development of the new factory have been capitalised in the year incurred. Depreciation of these assets does not start until they are available for use.

2.5 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. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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 profit or loss.

2.6 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 JULY 2019

2. Accounting policies (continued)

2.7 Financial instruments

The Company 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, loans to related parties and investments in non-puttable ordinary shares.

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 arrangements of a short-term instrument constitute 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 the 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 Comprehensive Income.

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 of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

2. Accounting policies (continued)

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within administration expenses.

2.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.11 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.12 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan 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 Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 balance sheet 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 Balance Sheet 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 balance sheet date.

2.15 Research and development

If in the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

The key judgment made by management in respect of revenue is the point at which that revenue should be recognised. Management consider that revenue is to be recognised when goods are despatched to customer as this is when the risks and rewards of ownership are transferred.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax submissions.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits |W1Qther with an assessment of the effect of future tax planning strategies.

Operating lease commitments

The Company has entered into commercial lease contracts and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

4. Turnover

The whole of the turnover is attributable to the manufacture of plastic products.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	26,342,082	24,888,225
Rest of Europe	2,400,600	2,620,466
Rest of the World	-	57,000
	<u>28,742,682</u>	<u>27,565,691</u>

POLYSTAR PLASTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Research and development charged as an expense	116,029	107,757
Exchange differences	(33,254)	(35,564)
Other operating lease rentals	982,729	812,051
Auditor's remuneration	<u>11,300</u>	<u>11,000</u>

6. Employees

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

	2019 £	2018 £
Wages and salaries	4,937,659	4,475,434
Social security costs	480,774	392,683
Cost of defined contribution scheme	104,779	74,171
	<u>5,523,212</u>	<u>4,942,288</u>

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

	2019 No.	2018 No.
Administration	28	27
Factory	145	139
Directors	4	4
	<u>177</u>	<u>170</u>

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>151,224</u>	<u>101,007</u>

The highest paid director received remuneration of £52,692 (2018 - £45,976).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £80 (2018 - £40).

8. Interest payable and similar expenses

	2019 £	2018 £
Loan interest payable	40,839	23,018
Hire purchase interest payable	3,655	-
Debt factoring interest payable	43,335	104,694
	<u>87,829</u>	<u>127,712</u>

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	158,906	409,267
	<u>158,906</u>	<u>409,267</u>
Deferred tax		
Origination and reversal of timing differences	60,776	(20,756)
	<u>60,776</u>	<u>(20,756)</u>
Taxation on profit on ordinary activities	<u>219,682</u>	<u>388,511</u>

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,014,555</u>	<u>2,061,333</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	192,765	391,653
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27,164	35,768
Fixed asset differences	17,780	-
Additional deduction for R&D expenditure	(28,659)	(26,616)
Adjustments to tax charge in respect of previous periods	15,909	(15,380)
Deferred tax	(5,277)	3,086
Total tax charge for the year	<u>219,682</u>	<u>388,511</u>

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

10. Tangible fixed assets

	Leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £
Cost or valuation					
At 1 August 2018	2,470,879	4,511,155	170,123	175,577	43,988
Additions	-	1,604,481	-	44,120	33,362
Disposals	-	(11,150)	-	-	-
At 31 July 2019	2,470,879	6,104,486	170,123	219,697	77,350
Depreciation					
At 1 August 2018	258,337	2,937,863	71,110	14,426	21,530
Charge for the year	249,422	668,038	38,621	18,635	14,498
Disposals	-	(11,150)	-	-	-
At 31 July 2019	507,759	3,594,751	109,731	33,061	36,028
Net book value					
At 31 July 2019	1,963,120	2,509,735	60,392	186,636	41,322
At 31 July 2018	2,212,542	1,573,292	99,013	161,151	22,458

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

10. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 August 2018	7,371,722
Additions	1,681,963
Disposals	(11,150)
At 31 July 2019	9,042,535
Depreciation	
At 1 August 2018	3,303,266
Charge for the year	989,214
Disposals	(11,150)
At 31 July 2019	4,281,330
Net book value	
At 31 July 2019	<u>4,761,205</u>
At 31 July 2018	<u>4,068,456</u>

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

	2019 £	2018 £
Plant and machinery	<u>891,350</u>	<u>-</u>

11. Stocks

	2019 £	2018 £
Raw materials and consumables	3,775,285	1,609,933
Finished goods	223,946	262,814
	<u>3,999,231</u>	<u>1,872,747</u>

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

12. Debtors

	2019 £	2018 £
Trade debtors	6,305,390	6,175,722
Other debtors	1,858,867	1,146,795
Prepayments	49,786	36,802
	<u>8,214,043</u>	<u>7,359,319</u>

13. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>1,904,583</u>	<u>232,067</u>

14. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	682,915	390,603
Trade creditors	2,723,699	809,196
Corporation tax	-	148,816
Other taxation and social security	266,999	740,338
Obligations under finance lease and hire purchase contracts	176,235	-
Other creditors	4,617,085	3,144,129
Accruals and deferred income	294,168	133,558
	<u>8,761,101</u>	<u>5,366,640</u>

The bank factoring liability of £3,388,871 (2018: £1,915,246) included in other creditors is secured by fixed and floating charges over the assets of the Company.

The bank loan is secured by fixed and floating charges over the assets to which it relates and personal guarantees by two directors.

Obligations under finance leases and hire purchase contracts are secured against the assets to which the liability relates.

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

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

	2019 £	2018 £
Bank loans	2,048,973	1,229,184
Net obligations under finance leases and hire purchase contracts	676,574	-
	<u>2,725,547</u>	<u>1,229,184</u>

Security details are disclosed in note 14.

16. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	682,915	390,603
Amounts falling due 1-2 years		
Bank loans	702,655	399,782
Amounts falling due 2-5 years		
Bank loans	1,346,318	829,402
	<u>2,731,888</u>	<u>1,619,787</u>

17. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	176,235	-
Between 1-2 years	176,235	-
Between 2-5 years	500,339	-
	<u>852,809</u>	<u>-</u>

POLYSTAR PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

18. Deferred taxation

	2019 £	2018 £
At beginning of year	(116,089)	(136,845)
Charged to profit or loss	(60,776)	20,756
At end of year	(176,865)	(116,089)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(176,865)	(116,089)

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
3,500 (2018 - 3,500) Ordinary shares of £1.00 each	3,500	3,500
3,500 (2018 - 3,500) A Ordinary shares of £1.00 each	3,500	3,500
2,500 (2018 - 2,500) B Ordinary shares of £1.00 each	2,500	2,500
500 (2018 - 500) C Ordinary shares of £1.00 each	500	500
	10,000	10,000

20. Reserves

Profit and loss account

The profit and loss account represents cumulative profits available for distribution.

21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £104,779 (2018: £74,171). There was a balance of £21,733 (2018: £6,236) payable to the fund at the balance sheet date.

POLYSTAR PLASTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

22. Capital commitments

At 31 July 2019 the Company had capital commitments as follows:

	2019 £	2018 £
Contracted for but not provided in these financial statements	<u>1,013,839</u>	<u>-</u>

23. Commitments under operating lease

At 31 July 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	1,028,334	992,974
Later than 1 year not later than 5 years	402,736	402,736
Later than 5 years	478,249	377,565
	<u>1,909,319</u>	<u>1,773,275</u>

24. Related party transactions

Rent of £200,653 (2018: £229,834) based on the current market values was paid in respect of property owned by the directors.

Dividends were paid to directors during the year totalling £400,000 (2018: £1,280,000).

Included in other creditors are loans from the directors amounting to £1,209,428 (2018: £1,221,330).

The Company paid management fees of £Nil (2018: £175,000) and rent and other fees of £757,250 (2018: £577,108) to Polystar Plastics (Holdings) Limited, a company related through common ownership. Rent was paid at a commercial market rate. During the year Polystar Plastics Limited paid expenses on behalf of Polystar Plastics (Holdings) Limited of £4,713 (2018: £88,217). At the year end date £501,114 (2018: £496,402) was owed to Polystar Plastics Limited.

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