Videcon Limited

Registered number: 03085668

Annual report and financial statements

For the year ended 31 August 2019

COMPANY INFORMATION

Directors	A C Croston M J Rushall
Registered number	03085668
Registered office	Unit 1, Concept Business Park Smithies Lane Heckmondwike West Yorkshire WF16 0PN
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

Introduction

The directors present their Strategic Report for the year ended 31 August 2019.

Business review

The results for the year ended 31 August 2019 are set out in the attached financial statements.

Turnover rose by over 10% due to a combination of organic growth and through the diversification of core product offering. The gross margin was impacted by the continued weakness of sterling and the change in product mix. The cost base fell as a percentage of revenue and a solid operating profit was reported.

Strict credit control procedures have ensured that bad debts are minimised. We will continue to keep tight control on all operational and other costs.

Trading conditions in our industry continue to be competitive. Videcon will continue to provide first class products and services to our customers at competitive prices. This approach ensures that Videcon is well placed to benefit from any increase in demand.

There will be some uncertainty in the market following the unprecedented situation of the Covid-19 pandemic. It will impact upon sales from traditional products in the year to August 2020 and beyond. Seizing an opportunity, the company has introduced new products which are directly focussed upon the challenges facing our customers from the pandemic.

We will continue to monitor the performance of the company against KPIs and forecasts on a regular basis.

Future developments

The directors aim to continue with the management policies that have resulted in growth in sales and profitability over the last few years.

Principal risks and uncertainties

COVID-19

Subsequent to the year end, COVID-19 has resulted in a global pandemic affecting economies globally. The speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help business through this extremely challenging time.

Post year end the developments and circumstances around COVID-19 have been identified as a non-adjusting post balance sheet event.

The advent of the COVID-19 pandemic post year end does not alter the directors' going concern assessment for the entity.

Brexit risk

The company imports a significant proportion of its products and has taken measures to manage the risks around Brexit. It has taken steps to manage the exchange risk and identified suppliers that could be impacted by Brexit and has raised stock levels where necessary. The company has considerable experience in importing product and the necessary in-house skills to proactively deal with supply chain disruptions.

Operational risk

The company has solid reporting systems and produces timely and accurate management information which is regularly reviewed by the management team.

Price risk

The company is exposed to downward pressure on margins resulting from current market conditions. This risk is mitigated by improving efficiencies.

Credit risk

The credit risk is principally attributable to trade debtors. The risk is mitigated by maintaining a strict credit policy and effective credit rating of current and prospective customers.

The company has no concentration of credit risk with exposure spread over a large number of customers.

Trade creditors are managed by ensuring sufficient funds are available to meet the amounts due.

Liquidity risk

The company ensures that it has sufficient banking facilities and funding to meet its commitments. It operates a detailed cash flow forecast, has developed a strong relationship with its bank and manages its working capital closely.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Financial key performance indicators

The directors consider the financial KPI's of the business to be:

- Turnover;
- Gross margin;
- Operational costs;
- Debtor levels; and
- Stock levels.

These are monitored on a monthly basis and corrective action taken as necessary.

Other key performance indicators

In addition non-financial KPI's are:

- High standard of customer service;
- Employment of a strong management team;
- Health & safety compliance; and
- Good enivornmental compliance.

This report was approved by the board on 25 August 2020 and signed on its behalf.

A C Croston
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

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

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; and
- 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 £1,343,975 (2018 - £530,988).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the forseeable future. Thus they continue to adopt the going concern basis for accounting in preparing the annual financial statements.

Directors

The directors who served during the year were:

A C Croston
I S Farr (resigned 7 August 2020)
S A Newsome (resigned 7 August 2020)
M J Rushall

Future developments

The directors aim to continue with the management policies that have resulted in growth in sales and profitability over the last few years.

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

Employee involvement

The Group continues its policy regarding the employment of disabled persons and of giving full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

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.

Post balance sheet events

There are no post balance sheet events other than COVID-19 which is discussed on page 3 within the Strategic Report and is a non adjusting event for the 31 August 2019 year end.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 August 2020 and signed on its behalf.

A C Croston
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIDECON LIMITED

Opinion

We have audited the financial statements of Videcon Limited (the 'Company') for the year ended 31 August 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the Company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 2 and the consideration in the going concern basis of preparation on page 13.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIDECON LIMITED

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 the Strategic Report and the Directors' 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.

Opinions 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 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 VIDECON LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 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 the audit 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.

Ian Wrightson

Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor
3 Wellington Place
Leeds
LS1 4AP

26 August 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £	2018 £
Turnover	4	16,514,475	14,933,398
Cost of sales		(11,818,342)	(9,885,147)
Gross profit		4,696,133	5,048,251
Distribution costs		(296,242)	(270,756)
Administrative expenses		(3,439,559)	(3,348,889)
Exceptional items	12	-	(958,690)
Fair value movements		(16,527)	35,325
Operating profit	5	943,805	505,241
Interest receivable and similar income	8	342,514	350,237
Interest payable and expenses	9	(237,277)	(29,393)
Profit before tax		1,049,042	826,085
Tax on profit	10	294,933	(295,097)
Profit for the financial year		1,343,975	530,988

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

The notes on pages 12 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	13		213,725		255,634
			213,725		255,634
Current assets					
Stocks	14	2,690,962		2,560,309	
Debtors: amounts falling due after more than one year	15	1,073,604		1,880,720	
Debtors: amounts falling due within one year	15	13,061,748		9,882,159	
Cash at bank and in hand	16	525,898		2,251,798	
		17,352,212		16,574,986	
Creditors: Amounts Falling Due Within One Year	17	(10,534,275)		(10,781,525)	
Net current assets			6,817,937		5,793,461
Total assets less current liabilities			7,031,662		6,049,095
Creditors: amounts falling due after more than one year	18		(708,102)		(815,195)
Provisions for liabilities					
Deferred tax	21	(4,780)		(18,216)	
			(4,780)		(18,216)
Net assets			6,318,780		5,215,684
Capital and reserves					
Called up share capital	22		50,005		50,005
Share premium account	23		30,018		30,018
Capital redemption reserve	23		9,988		9,988
Profit and loss account	23		6,228,769		5,125,673
			6,318,780		5,215,684

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 August 2020.

A C Croston
Director

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 September 2017	50,005	30,018	9,988	5,423,633	5,513,644
Comprehensive income for the year					
Profit for the year	-	-	-	530,988	530,988
Dividends: Equity capital	-	-	-	(828,948)	(828,948)
At 1 September 2018	50,005	30,018	9,988	5,125,673	5,215,684
Comprehensive income for the year					
Profit for the year	-	-	-	1,343,975	1,343,975
Dividends: Equity capital	-	-	-	(240,879)	(240,879)
At 31 August 2019	50,005	30,018	9,988	6,228,769	6,318,780

The notes on pages 12 to 29 form part of these financial statements.

1. General information

Videcon Limited ("the Company") is a company limited by share capital, incorporated in the United Kingdom, and registered in England and Wales. The address of its registered office and principal place of business is Unit 1, Concept Business Park, Smithies Lane, Heckmondwike, West Yorkshire, WF16 0PN.

The Company is a wholly-owned subsidiary of Videcon Holdings Limited. Videcon Holdings Limited prepares financial statements which consolidate the results of the Company. Copies of the Group's financial statements may be obtained from Videcon Holdings Limited, at their registered office and principal place of business which is Unit 1, Concept Business Park, Smithies Lane, Heckmondwike, West Yorkshire, WF16 0PN.

The primary economic environment in which the Company operates is governed by Pounds Sterling, and as such, the Company's financial statements have been prepared and presented in this currency.

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 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Videcon Holdings Limited as at 31 August 2019 and these financial statements may be obtained from Unit 1, Concept Business Park, Smithies Lane, Heckmondwike, WF16 0PN.

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the company is able to realise its assets and discharge its liabilities in the normal course of business.

The advent of the COVID-19 pandemic post year end does not alter the directors' going concern assessment for the entity. The impact on the entity is discussed in more detail on page 3 within the Strategic Report.

2.4 Revenue

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.

2.5 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.

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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 improvements	-	straight line over life of lease
Plant and machinery	-	25% to 33.3% straight line
Motor vehicles	-	25% to 33.3% straight line
Fixtures, fittings & equipment	-	20% to 25% straight line

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.

2.6 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.7 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 Comprehensive Income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 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.

2. Accounting policies (continued)

2.10 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 payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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 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.

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 Statement of Comprehensive Income in fair value movements. The company does not currently apply hedge accounting for foreign exchange derivatives.

2.11 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.

2.12 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.

2. Accounting policies (continued)

2.13 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.

2.14 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 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 payments 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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2. Accounting policies (continued)

2.19 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 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.

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectively involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgements in applying the accounting policies

The critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below:

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment associated with tangible fixed assets, the directors' have considered both external and internal sources of information such as market values, changes in technological, economic and legal environments, evidence of obsolescence or physical damage of assets and declines in economic performance.

(ii) Warranty provision

Provision is made for predicted future warranty costs. The estimate is based on the historical return rate of products sold during the year adjusted for any exceptional returns, anomalies, and the ageing profile on which the products were initially sold.

(iii) Stock provision

Provision is made for stock which is slow moving or not usable. The estimate is based on approximations of the length of time it would take to sell the year end stock holding by reference to sale volumes in the financial year. Provision is also made for returned stock items which have not yet been fully inspected and reprocessed.

(iv) Bad debt provision

Provision is made for any overdue invoices that are not insured and where the directors consider there to be a significant risk of non-payment.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining residual values and useful economic lives of leasehold improvements, plant and equipment

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

3. Judgments in applying accounting policies (continued)

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	15,776,820	13,930,920
Rest of Europe	675,748	939,960
Rest of the world	61,907	62,518
	16,514,475	14,933,398

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Research & development	181	4,026
Depreciation of tangible fixed assets	117,332	110,661
Fees payable to the Company's auditor for the audit of the Company's annual financial statement	8,250	7,525
Exchange differences	(70,589)	252,847
Operating lease rental costs	354,357	321,232
Defined contribution pension cost	81,641	59,783

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

6. Employees

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

	2019 £	2018 £
Wages and salaries	1,678,970	1,739,476
Social security costs	194,783	191,730
Defined contribution pension cost	81,641	59,783
	1,955,394	1,990,989

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

	2019 No.	2018 No.
Management	4	4
Other staff	53	53
	57	57

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	31,363	117,654
Company contributions to defined contribution pension schemes	4,884	1,341
	36,247	118,995

During the year retirement benefits were accruing to 4 directors (2018 - 5) in respect of a defined contribution pension scheme.

8. Interest receivable

	2019 £	2018 £
Interest receivable from group companies	342,514	350,237
	342,514	350,237

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	216,726	35,325
Other loan interest payable	20,551	(5,932)
	237,277	29,393

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	145,928	291,027
Adjustments in respect of previous periods	(427,425)	-
Total current tax	(281,497)	291,027
Deferred tax		
Origination and reversal of timing differences	(13,436)	4,070
Taxation on (loss)/profit on ordinary activities	(294,933)	295,097

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) 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	1,049,042	826,085
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	199,318	156,956
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,439	194,781
Adjustments to tax charge in respect of prior periods	(427,425)	-
Short term timing difference leading to a (decrease) in taxation	(890)	7,957
Other differences leading to an increase in the tax charge	-	9,686
Group relief	(79,375)	(74,283)
Total tax charge for the year	(294,933)	295,097

Factors that may affect future tax charges

The current tax charge set out above is based on a corporation tax rate of 19%.

Legislation was introduced in the Finance (no 2) Act 2015 to reduce the headline rate of corporation tax from 20% to 19% from 1 April 2017 and then to 18% from 1 April 2020. The Finance Act 2016 then superseded this, introducing a reduction in the UK corporation tax rate to 17% from 1 April 2020.

Deferred tax has been provided at 17%, being the rate at which timing differences are expected to reverse, using the rate of corporation tax that had been substantially enacted at the balance sheet date.

The government announced in the March 2020 Budget that the main rate of corporation tax would remain at 19% for at least the duration of the current parliament.

11. Dividends

	2019	2018
	£	£
Dividends paid on equity shares	240,879	828,948

12. Exceptional items

	2019	2018
	£	£
Exceptional items - EBT liability	-	958,690
	-	958,690

The Company has made historic contributions into Employee Benefit Trusts. The tax treatment of these contributions was previously challenged by HMRC resulting in a Settlement Agreement being agreed between the Company and HMRC. The financial statements made full provision for all costs arising from the Settlement Agreement.

13. Tangible fixed assets

	Leasehold improvements	Plant & machinery	Motor vehicles	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 September 2018	535,420	96,641	118,111	279,749	1,029,921
Additions	33,314	-	-	-	33,314
Disposals	(102,447)	(47,790)	(88,060)	(171,979)	(410,276)
At 31 August 2019	466,287	48,851	30,051	107,770	652,959
Depreciation					
At 1 September 2018	361,802	84,918	107,528	220,039	774,287
Charge for the year	51,826	22,478	8,647	34,381	117,332
Disposals	(81,480)	(75,634)	(105,657)	(189,614)	(452,385)
At 31 August 2019	332,148	31,762	10,518	64,806	439,234
Net book value					
At 31 August 2019	134,139	17,089	19,533	42,964	213,725
At 31 August 2018	173,618	11,723	10,583	59,710	255,634

14. Stocks

	2019	2018
	£	£
Stock in transit	453,720	503,757
Finished goods and goods for resale	2,237,242	2,056,552
	2,690,962	2,560,309

15. Debtors

	2019	2018
	£	£
Due after more than one year		
Amounts owed by group undertakings	1,073,604	1,880,720
	1,073,604	1,880,720

	2019	2018
	£	£
Due within one year		
Trade debtors	4,478,241	3,840,420
Amounts owed by group undertakings	6,699,252	5,500,000
Other debtors	1,575,905	310,546
Prepayments and accrued income	170,850	231,193
Tax recoverable	137,500	-
	13,061,748	9,882,159

16. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	525,898	2,251,798
Less: bank overdraft	(3,559)	(2,184,068)
	522,339	67,730

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdraft	3,559	2,184,068
Bank loan and invoice discounting	4,844,889	3,489,975
Trade creditors	3,333,845	2,213,578
Amounts owed to group undertakings	455,898	-
Corporation tax	137,253	612,605
Other taxation and social security	300,975	307,221
Other creditors	145,771	7,074
Accruals and deferred income	1,312,085	1,967,004
	10,534,275	10,781,525

The bank overdraft of £3,559 (2018 - £2,184,068) is secured against the Company's current assets.

Included within 'bank loan and the invoice discounting' is an invoice discounting facility of £3,364,136 (2018 - £2,284,046), which is secured against the Company's trade debtors. The remaining balance relates to a term loan facility which is secured by a fixed and floating charge over certain assets of the Company and by a personal guarantee given by a director.

The bank overdraft, bank loan and invoicing discounting are further secured by an unlimited multilateral guarantee by the Company, Videcon Holdings Limited and Custom Advanced Systems Limited.

Accruals include a provision for warranty and credit notes totalling £914,836 (2018: £1,076,173) which are to cover against future costs of servicing and repairs arising from claims against prior sales.

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

	2019 £	2018 £
Other loan	410,000	410,000
Other creditors	298,102	-
Accruals and deferred income	-	405,195
	708,102	815,195

The other loan of £410,000 (2018 - £410,000) is secured by a fixed and floating charge over certain assets of the Company and by a personal guarantee given by a director.

19. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loan and invoice discounting facility	4,844,889	3,489,975
	4,844,889	3,489,975
Amounts falling due 2-5 years		
Other loan	410,000	410,000
	5,254,889	3,899,975

20. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	525,898	2,251,798
Financial assets that are debt instruments measured at amortised cost	13,827,002	11,531,686
	14,352,900	13,783,484
Financial liabilities		
Financial liabilities measured at amortised cost	(10,804,149)	(10,671,118)

Financial assets measured at fair value through profit or loss comprises cash at bank and in hand.

Financial assets measured at amortised cost comprise trade, group and other debtors.

Financial liabilities measured at amortised cost comprise all creditors, excluding taxation and social security costs.

21. Deferred taxation

	2019 £	2018 £
At beginning of year	(18,216)	(14,146)
Charged to profit or loss	13,436	(4,070)
At end of year	(4,780)	(18,216)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(5,693)	(19,129)
Other item	913	913
	(4,780)	(18,216)

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
50,000 (2018 - 50,000) Ordinary A shares of £1.00 each	50,000	50,000
1 (2018 - 1) Ordinary C share of £1.00	1	1
1 (2018 - 1) Ordinary E share of £1.00	1	1
1 (2018 - 1) Ordinary G share of £1.00	1	1
1 (2018 - 1) Ordinary K share of £1.00	1	1
1 (2018 - 1) Ordinary I share of £1.00	1	1
	50,005	50,005

The 'A' Ordinary shares carry rights to vote, rights to receive dividends and rights to participate in the event of a sale or winding up of the Company.

All other issued shares in classes have rights to dividends but carry no voting rights and are non-participating in the event of a sale or winding up of the Company. The holders of such shares are only entitled to the par value of the shares held in such eventuality but do not rank ahead of other shareholders.

23. Reserves

Share premium account

The share premium represents the amount paid above the par value of the shares.

Capital redemption reserve

The share premium account relates to historic share buy-backs.

Profit & loss account

The profit and loss reserves are fully distributable.

24. Pension commitments

The company operates a defined contribution schemes for its directors and employees. The funds of the schemes are held separately in independently administered funds. The pension costs charged for the year amounted to £81,641 (2018 - £59,783). Contributions totalling £5,758 (2018: £5,372) were payable to the fund at the year end and are included in other creditors.

25. Commitments under operating leases

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

	2019	**2018**
	£	**£**
Not later than 1 year	289,323	279,717
Later than 1 year and not later than 5 years	1,015,323	1,032,198
Later than 5 years	2,540,000	2,780,000
	3,844,646	4,091,915

The total value of lease payments recognised as an expense during the year was £354,357 (2018: £321,232).

26. Other financial commitments

The Company's bankers have issued a guarantee for ongoing VAT liabilities of £150,000 (2018: £150,000) in favour of HM Revenue & Customs with recourse to the Company. At the balance sheet date all VAT payments are up to date.

At the year end, the Company had entered into forward exchange contracts to buy US Dollars at a predetermined rate. At the year end the Company has contracted to purchase $1.75m (2018: $1.5m) with maturity dates ranging from September 2019 to December 2019.

27. Related party transactions

During the year, the Company had loan balances owed by a director. The balance outstanding at the year end is £1,009,132 (2018: £116,902). The maximum loan balance outstanding during the year was £1,009,132 (2018: £171,040). The loan is interest free and repayable on demand.

During the year, the Company paid rent and service charges of £240,000 (2018: £240,000) to Spider Orchid Limited in respect of the premises from which they operate. The Company has a director in common with Spider Orchid Limited.

All related party transactions are conducted on an arms' length basis.

28. Post balance sheet events

Subsequent to the year end, COVID-19 has resulted in a global pandemic affecting economies globally. The speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help business through this extremely challenging time.

Post year end the developments and circumstances around COVID-19 have been identified as a non-adjusting post balance sheet event.

The advent of the COVID-19 pandemic post year end does not alter the directors' going concern assessment for the Company. The impact is discussed in more detail on page 3 within the Strategic Report.

29. Controlling party

The ultimate controlling party is A C Croston by virtue of a majority shareholding in the immediate and ultimate parent company Videcon Holdings Limited.