

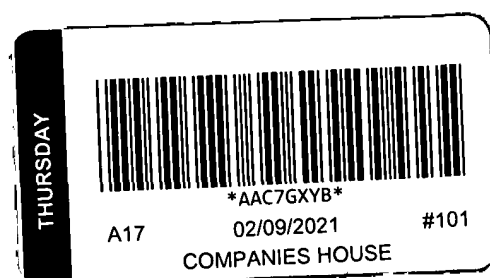
Company Registration No. 03734189 (England and Wales)

MOROAK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

OLD M^oLL



MOROAK LIMITED

COMPANY INFORMATION

Directors	M W Barter	
	T W Barter	
	T M Browning	
	H J Barter	
	C A Pavey	
	D Lyon	(Appointed 9 October 2020)
	T Drake	(Appointed 9 October 2020)
	R J Freeman	(Appointed 9 October 2020)
Secretary	MW Barter	
Company number	03734189	
Registered office	Clarence House Watercombe Lane YEOVIL Somerset BA20 2SU	
Auditor	Old Mill Audit LLP Maltravers House Petters Way YEOVIL Somerset BA20 1SH	

MOROAK LIMITED

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MOROAK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Fair review of the business

The company's activities in the year under review show a decrease in turnover of £4,467,712 (19%). Gross margins have decreased to 23.5% (2019: 23.8%) due to an extremely competitive market place and an increase in raw material costs. During the year Moroak Limited was affected by the national lockdown and sales were impacted from April 2020 to July 2020. This resulted in the large decrease in turnover, however orders have since recovered strongly.

The continuing focus in this very demanding market place is to add value by concentrating on brand values and product diversification and to concentrate on the end user and bespoke sales.

Sales have been maximised by continually monitoring sales activity and carefully managing margins. The directors are continuing to invest in the business, and are satisfied with the results for the year.

Results and dividends

The profit for the year after taxation amounted to £1,044,853. EBITDA totalled £699,450 for the year (2019: 1,248,614) and is considered by management to be a key performance indicator. A special dividend of £8,286,952 was voted and paid during the year following a restructure of the group companies.

Research and development

During the year the company had research and development qualifying expenditure relating to innovations in the design, sealing and printing of specialist envelopes. Research and development expenditure is written off in the year in which it is incurred.

Principal risks and uncertainties

The directors aim to reduce the impact of any risks to the company at all times. There are a number of risks which face the company and the directors have worked throughout the year to limit these risks by widening the customer base, increasing the use of credit insurance cover, developing sound contracts with all customers, and limiting the risk in fluctuating currency exchange rates by planned forward buying and hedging currencies.

The performance of the company is monitored against the number of contracts won, the value of these orders and the results from managing purchasing and selling prices. The directors manage the overheads tightly and the improvement of utilisation of labour has contributed to the process of strengthening and repositioning the business during the year.

The principal risks within the business relate to credit risk and those associated with the need to carry sufficient, but not excess, stock levels to service the needs of its customers, without exposing the company to undue stock holding risks.

Management adopt a proactive approach to minimising these risks by the use of credit limits and checks in respect of its customers. There is no undue reliance on individual customers for trade. Stock risk is minimised by constant reviews of stock levels to minimise excess holdings whilst maintaining operational levels. The company has implemented measures considered appropriate by management to minimise the risk of stock loss.

On behalf of the board



M W Barter
Director

Date: 23.08.2021

MOROAK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company continued to be that of wholesaling of envelopes.

Results and dividends

The results for the year are set out on page 8.

A special dividend of £8,286,952 was paid during the year. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M W Barter	
T W Barter	
T M Browning	
H J Barter	
C A Pavey	
D Lyon	(Appointed 9 October 2020)
T Drake	(Appointed 9 October 2020)
R J Freeman	(Appointed 9 October 2020)

Financial instruments

Market conditions risk

Market conditions encompass three types of risk: market and sales slow-down, interest rate variance and end-user pricing structures. The company's policy for managing interest rate risk is detailed below. The risks associated with market conditions and end-user pricing are reviewed on a monthly basis.

Liquidity risk

Short-term flexibility in respect of liquidity is achieved by the use of an instant access deposit account. The account is subject to annual review. However, the directors do not consider liquidity to be a key risk.

Foreign currency risk

The company is exposed to exchange rate fluctuations on purchases of foreign currencies to settle suppliers' invoices. In periods of sterling weakness short term forwards are purchased in order to maximise the benefits of favourable exchange rates. At times of sterling strength the company purchases forwards to hedge against adverse fluctuations.

Credit risk

The company's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. During the year, increased use of trade indemnity insurance was used, and where uninsurable, credit limits have been reduced. The directors regard the scale and spread of customers as being a strong safeguard against the risk of default and carefully manage the levels of credit allowed.

Auditor

The auditor, Old Mill Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

MOROAK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of disclosure to auditor

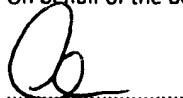
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Post reporting date events

Sales were immediately impacted by the national lockdown in the period March to July. The business continued to trade, with staff working from home, made possible by the recent investment made in our IT infrastructure. Following careful assessments and Covid 19 risk assessments, the staff were able to return to work by the end of July. By maintaining diligence and awareness in social distancing and new safety at work practices, the company has remained open and trading, and sales have picked up on the back of staff returning to work.

The directors have continued to assess the impact of Brexit. Steps taken to reduce the risk to trading include; hedging currency risks, increasing stock lines on core products and bringing Supply Chain processes in line with Brexit Import/Export Requirements. Stock is now held at our German Warehouse facility in Dusseldorf, which has eliminated the risks relating to serving our European customers from UK held stocks in the event of Border delays.

On behalf of the board



M W Barter
Director

Date: 23 - 08 - 2021

MOROAK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MOROAK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MOROAK LIMITED

Opinion

We have audited the financial statements of Moroak Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our 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.

MOROAK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MOROAK LIMITED

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 and the directors' report.

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

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

Responsibilities of directors

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

How the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Other matters which we are required to address

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

MOROAK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MOROAK LIMITED

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.

Old Mill Audit LLP

Jolyon Stonehouse BA ACA CF (Senior Statutory Auditor)
for and on behalf of Old Mill Audit LLP

24 August 2021

Statutory Auditor

Maltravers House
Petters Way
YEOVIL
Somerset
BA20 1SH

MOROAK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	£	as restated £
Turnover	3	18,998,728	23,466,440
Cost of sales		(14,529,315)	(17,891,395)
Gross profit		4,469,413	5,575,045
Administrative expenses		(4,312,280)	(4,245,017)
Other operating income		671,593	103,569
Other operating expenditure		(433,437)	-
Operating profit	4	395,289	1,433,597
Charitable donations		-	(540,310)
Interest receivable and similar income	6	45,899	157,202
Interest payable and similar expenses	7	315,816	(334,106)
Profit before taxation		757,004	716,383
Tax on profit	8	287,849	(241,005)
Profit for the financial year		1,044,853	475,378

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MOROAK LIMITED


STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

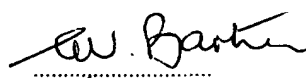
	2020	2019
	£	as restated £
Profit for the year	1,044,853	475,378
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,044,853</u>	<u>475,378</u>

MOROAK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		700,910		1,602,199
Investments			-		3,204
			<u>700,910</u>		<u>1,605,403</u>
Current assets					
Stocks	12	1,876,510		2,783,589	
Debtors	13	5,936,024		10,675,140	
Cash at bank and in hand		915,751		2,867,321	
		<u>8,728,285</u>		<u>16,326,050</u>	
Creditors: amounts falling due within one year	14	(2,247,465)		(3,532,064)	
Net current assets			<u>6,480,820</u>		<u>12,793,986</u>
Total assets less current liabilities			<u>7,181,730</u>		<u>14,399,389</u>
Provisions for liabilities			<u>(127,923)</u>		<u>(103,482)</u>
Net assets			<u><u>7,053,807</u></u>		<u><u>14,295,907</u></u>
Capital and reserves					
Called up share capital	18		200		200
Profit and loss reserves			<u>7,053,607</u>		<u>14,295,707</u>
Total equity			<u><u>7,053,807</u></u>		<u><u>14,295,907</u></u>

The financial statements were approved by the board of directors and authorised for issue on 23.08.2021 and are signed on its behalf by:


M W Barter
Director


T W Barter
Director

Company Registration No. 03734189

MOROAK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2019:				
Balance at 1 January 2019		200	26,830,329	26,830,529
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	475,378	475,378
Dividends	9	-	(13,010,000)	(13,010,000)
Balance at 31 December 2019		200	14,295,707	14,295,907
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	1,044,853	1,044,853
Dividends	9	-	(8,286,953)	(8,286,953)
Balance at 31 December 2020		200	7,053,607	7,053,807

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Moroak Limited is a private company limited by shares incorporated in England and Wales. The registered office is Clarence House, Watercombe Lane, YEOVIL, Somerset, BA20 2SU.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Moroak Holdings Limited. These consolidated financial statements are available from its registered office.

1.2 Going concern

During the year, sales were impacted by the national lockdown in the period March to July. The business continued to trade, with staff working from home, made possible by investment in IT infrastructure. Following careful assessments and Covid 19 risk assessments, the staff were able to return to work by the end of July and the company remained profitable. By maintaining diligence and awareness in social distancing and new safety at work practices, the company has remained open and trading. The directors have assessed possible future scenarios in their efforts to take all reasonable measures to ensure the business can continue for the foreseeable future. Based on the steps taken by the company, in the directors' opinion it is reasonable and appropriate to continue preparing the accounts on the going concern basis.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised on delivery of goods to customers.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	straight line over the lease term
Plant and machinery	25% on reducing balance
Motor vehicles	25% on reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Other financial liabilities

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.17 Derivative instruments

The company uses forward foreign currency contracts to reduce its exposure to foreign exchange rates in respect of purchases. These purchases are recorded in the profit and loss account at the rate stipulated in the applicable forward currency contract.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.18 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

2 Judgements and key sources of estimation uncertainty

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

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Recoverability of debts

The directors have reviewed all significant debts on a case by case basis and have made a provision against or written off bad debts based upon their knowledge of both the specific debtor and the current economic conditions within the industry.

Provision for obsolete and slow moving stock

The directors have reviewed the year-end stock listing and stock take results and, based on their knowledge of current market conditions and expected future orders, have made provision against obsolete and slow moving stocks to the extent that estimated selling price less costs to complete and sell are lower than cost. The carrying amount stock provisions as at 31 December 2020 was £278,327 (2019 - £255,675).

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Estimated useful lives

In determining the estimated useful life the Company considers the expected usage of the asset, expected physical wear and tear of the asset and expected technical advancements in the industry that could lead to obsolescence of the asset. Each year the Company reviews the above to establish if there is any change in the expected useful life of tangible assets.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Sales	18,998,728	23,466,440
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	45,899	157,202
Grants received	222,589	-
	<u> </u>	<u> </u>
	2020	2019
	£	£
Turnover analysed by geographical market		
Sales - UK	18,297,103	22,334,787
Sales - Europe	696,876	1,067,465
Sales - Rest of world	4,749	64,188
	<u> </u>	<u> </u>
	18,998,728	23,466,440
	<u> </u>	<u> </u>

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	41,103	(16,958)
Government grants	(222,589)	-
Fees payable to the company's auditor for the audit of the company's financial statements	13,425	13,130
Depreciation of owned tangible fixed assets	304,162	355,327
Loss on disposal of tangible fixed assets	83,752	6,624
Operating lease charges	279,429	342,921
	<u> </u>	<u> </u>

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Administration and support	47	48
Distribution	15	18
Total	<u>62</u>	<u>66</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,531,070	2,723,306
Social security costs	240,452	277,085
Pension costs	29,549	34,265
	<u>2,801,071</u>	<u>3,034,656</u>

6 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	45,091	156,649
Other interest income	808	553
Total income	<u>45,899</u>	<u>157,202</u>

7 Interest payable and similar expenses

	2020 £	2019 £
Finance costs for financial instruments measured at fair value through profit or loss	<u>(315,816)</u>	<u>334,106</u>

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	(188,305)	257,272
Adjustments in respect of prior periods	(123,985)	-
Total current tax	(312,290)	257,272
Deferred tax		
Origination and reversal of timing differences	24,441	(16,267)
Total tax (credit)/charge	(287,849)	241,005

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	757,004	716,383
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	143,831	136,113
Tax effect of expenses that are not deductible in determining taxable profit	10,676	16,951
Effect of change in corporation tax rate	-	(12,312)
Depreciation on assets not qualifying for tax allowances	601	11,800
Adjustments in respect of financial assets	-	(1,598)
Other non-reversing timing differences	45,759	-
Under/(over) provided in prior years	(488,716)	-
Adjustment in respect to prior year	-	90,051
Taxation (credit)/charge for the year	(287,849)	241,005

9 Dividends

	2020	2019
	£	£
Final paid	8,286,953	13,010,000

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2020	1,786,840	1,870,780	266,591	3,924,211
Additions	-	235,282	183,316	418,598
Disposals	(1,786,840)	(167,850)	(129,897)	(2,084,587)
At 31 December 2020	-	1,938,212	320,010	2,258,222
Depreciation and impairment				
At 1 January 2020	869,493	1,333,674	118,845	2,322,012
Depreciation charged in the year	61,819	167,808	74,535	304,162
Eliminated in respect of disposals	(931,312)	(61,385)	(76,165)	(1,068,862)
At 31 December 2020	-	1,440,097	117,215	1,557,312
Carrying amount				
At 31 December 2020	-	498,115	202,795	700,910
At 31 December 2019	917,347	537,106	147,746	1,602,199

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Motor vehicles	-	36,638

11 Financial instruments

	2020 £	2019 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	18,290	334,106

12 Stocks

	2020 £	2019 £
Finished goods and goods for resale	1,876,510	2,783,589

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)

12	Stocks		
	The carrying amount of stocks includes £nil (2019 - £433,437) of machinery purchased for resale.		
13	Debtors		
		2020	2019
		£	£
	Amounts falling due within one year:		
	Trade debtors	4,706,701	4,996,706
	Amounts owed by group undertakings	777,559	4,735,957
	Other debtors	294,147	589,713
	Prepayments and accrued income	157,617	311,097
		<u>5,936,024</u>	<u>10,633,473</u>
		2020	2019
		£	£
	Amounts falling due after more than one year:		
	Other debtors	-	41,667
		<u>-</u>	<u>41,667</u>
	Total debtors	<u>5,936,024</u>	<u>10,675,140</u>
	Trade debtors disclosed above are measured at amortised cost.		
14	Creditors: amounts falling due within one year		
		2020	2019
		£	£
		Notes	
	Obligations under finance leases	15	-
	Trade creditors		8,256
	Amounts owed to group undertakings		1,075,688
	Corporation tax		472,121
	Other taxation and social security		887,537
	Derivative financial instruments		28,830
	Other creditors		394,849
	Accruals and deferred income		75,576
			182,111
			<u>2,247,465</u>
			<u>3,532,064</u>

Hire purchase liabilities of £nil (2019 - £8,256) are secured by fixed charges over the assets to which they relate.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Finance lease obligations

	2020	2019
	£	£
Future minimum lease payments due under finance leases:		
Within one year	-	8,256

Finance lease payments represented rentals payable by the company for certain items of plant and machinery. Leases included purchase options at the end of the lease period, and no restrictions were placed on the use of the assets. The average lease term was 3 years with all leases being fully paid in the year ended 31 December 2020. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	114,864	91,798
Unrealised chargeable gains	13,059	11,684
	<u>127,923</u>	<u>103,482</u>
		2020
Movements in the year:		£
Liability at 1 January 2020		103,482
Charge to profit or loss		24,441
Liability at 31 December 2020		<u>127,923</u>

17 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	29,549	34,265

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £nil (2019 - £nil) were payable to the scheme at the end of the year.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

18 Share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
0 (2019: 80) Ordinary A shares of £1 each	-	80
0 (2019: 80) Ordinary B shares of £1 each	-	80
0 (2019: 20) C1 shares of £1 each	-	20
0 (2019: 20) C2 shares of £1 each	-	20
200 (2019: 0) Ordinary Shares of £1 each	200	-
	<u>200</u>	<u>200</u>

During the year, all shares were converted into 200 ordinary shares.

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	<u>37,500</u>	<u>37,500</u>

20 Events after the reporting date

Following the year end dividends totalling £nil were paid by the company.

Since the year end, the impact of the Covid-19 outbreak and the associated lockdown in the UK has had a significant impact on the general economy. The business continues as usual for the time being with safe-guarding measures in place. Support from the Government has been limited to making use of the furlough scheme and VAT payment deferrals.

21 Ultimate controlling party

The company is controlled by Moroak Management Limited which owns 100% of the issued share capital of Moroak Limited. In turn, Moroak Management Limited is controlled by Moroak Holdings Limited which owns 60% of the share capital of Moroak Management Limited and draws up the consolidated financial statements. Moroak Holdings Limited's registered office is Clarence House Watercombe Lane, Lynx West Trading Estate, Yeovil, England, BA20 2SU.

The company is ultimately controlled by the directors and their close families by virtue of their controlling share capital.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Directors' transactions

Dividends totalling £nil (2019 - £10,000) were paid in the year in respect of shares held by the company's directors.

Description	% Rate	Opening balance	Amounts advanced	Interest charged	Amounts repaid	Closing balance
		£	£	£	£	£
Directors' Loan	2.50	-	23,969	160	(24,106)	23
Directors' Loan	2.50	1,568	147,571	534	(149,673)	-
Directors' Loan	2.50	556	13,383	114	(14,053)	-
		<u>2,124</u>	<u>184,923</u>	<u>808</u>	<u>(187,832)</u>	<u>23</u>

23 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2020	2019	2020	2019
	£	£	£	£
Entities over which the entity has control, joint control or significant influence	-	12,255	-	-
Other related parties	320,741	1,166,588	660,275	695,112
	<u>320,741</u>	<u>1,178,843</u>	<u>660,275</u>	<u>695,112</u>
	Rental costs		Donations	
	2020	2019	2020	2019
	£	£	£	£
Other related parties	362,500	280,000	-	500,000
	<u>362,500</u>	<u>280,000</u>	<u>-</u>	<u>500,000</u>

During the year, the company was charged £300,000 (2019: £nil) for management services by entities with control, joint control or significant influence over the company.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	2020	2019
	£	£
Amounts owed to related parties		
Entities with control, joint control or significant influence over the company	300,000	-
Other related parties	172,121	-
	<u>472,121</u>	<u>-</u>

No guarantees have been given or received.

The following amounts were outstanding at the reporting end date:

	2020
	Balance
	£
Amounts owed by related parties	
Other related parties	738,990
	<u>738,990</u>
	2019
	Balance
	£
Amounts owed in previous period	
Entities over which the entity has control, joint control or significant influence	204,621
Other related parties	3,036,286
	<u>3,240,907</u>

No guarantees have been given or received.

24 Prior period adjustment

The company has recognised a prior period adjustment is in relation to a rebate that was in relation to, but not recognised in the 2019 year in Moroak Limited. The adjustment had the effect of increasing cost of sales by £473,952 and therefore decreasing profit for the financial period by the same amount in the 2019 year.

MOROAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24	Prior period adjustment	(Continued)	
	Reconciliation of changes in equity		
		1 January 2019	31 December 2019
		£	£
	Adjustments to prior year	-	(473,952)
	Equity as previously reported	26,830,529	14,769,859
	Equity as adjusted	<u>26,830,529</u>	<u>14,295,907</u>
	Analysis of the effect upon equity		
	Profit and loss reserves	-	(473,952)
	Reconciliation of changes in profit for the previous financial period		
			2019
			£
	Adjustments to prior year		(473,952)
	Profit as previously reported		949,330
	Profit as adjusted		<u>475,378</u>