

M & P Direct Limited
Financial Statements
31 December 2020



HARRIS BASSETT LIMITED
Chartered accountants & statutory auditor
5 New Mill Court
Phoenix Way
Enterprise Park
Swansea
SA7 9FG

M & P Direct Limited
Financial Statements
Year ended 31 December 2020

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M & P Direct Limited

Officers and Professional Advisers

The board of directors

C K Eady
L J Ballard
M T Collings

Company secretary

L J Ballard

Registered office

Phoenix Way
Garngoch Industrial Estate
Gorseinon
Swansea
SA4 9HN

Auditor

Harris Bassett Limited
Chartered accountants & statutory auditor
5 New Mill Court
Phoenix Way
Enterprise Park
Swansea
SA7 9FG

M & P Direct Limited

Strategic Report

Year ended 31 December 2020

The principal activity of the company continued to be that of the distribution and sale of motorcycles and motorcycle accessories.

Key financial highlights are as follows:

	Year ended 2020 £	Year ended 2019 £	Year ended 2018 £
Sales from operations	22,962,972	21,354,585	16,503,184
Gross profit	5,288,615	5,915,674	5,083,788
Gross profit %	23.0%	27.7%	30.8%
Stock	5,931,061	5,281,953	5,072,045
Net assets	6,883,200	6,880,961	6,828,493

The performance of the company has produced a positive results given that the world experienced a pandemic with COVID 19. The Profitability has declined due to the increased costs of staffing and rent whilst investing in the new Cardiff multifranchise site. There was also a conscious decision to liquidate stock in order to ensure the company met it's liabilities when they fell due. Turnover has increased by a healthy 7% compared with the previous year, however there has been a slight decrease in gross profit by 4.7% to 23.0%. In the previous year the operational profitability was £125,318 compared with a disappointing decrease to £68,393 in 2020. These results demonstrate that there has been additional expenditure in the Cardiff multifranchise site, in time with growth and investment, this will lead to an increase turnover and therefore an increase in profitability.

The cash position of the company is strong, however the company experiences seasonal trends and therefore cash can be tight in the winter months. The company invests in stock during the winter months ready for the high level of trading in the spring and summer seasons.

The quick ratio for the company at the year end was 0.36, this is acceptable for the type of industry that the company operates in and is consistent with the previous year. As the industry requires stock holding, there is a large amount of investment in stock.

Cardiff Bay BMW Motorrad, Ducati and MotoGB is proving to be a successful addition to the company's operations. The company is continually looking at ways to promote all the new dealerships and there is a considerable amount of resource being invested to ensure the success of the dealership continues.

M & P Direct Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Cash flow risk

Impact on company - There is a risk that cash flow can become tight during the winter months as the company invests in stock for the coming Spring and Summer seasons.

Assessment of change in risk year-on-year - There has been no change over the course of the year, this will continue to be a principal risk to the company.

Mitigation of risk - The cash flow is monitored by policies concerning the credit offered to customers and the credit given by suppliers.

Liquidity risk

Impact on company - There is a risk that the liquid assets are not sufficient to meet the liquid liabilities when they fall due. The risk has decreased from previous year as the quick ratio for the company has increased.

Assessment of change in risk year-on-year - The directors acknowledge this and will look to reduce its stock holding to cash as stated in future developments.

Mitigation of risk - The risk is managed by ensuring sufficient funds are available to meet amounts as they fall due.

Credit risk

Impact on company - There is an impact on the cash flow of the company which in the winter months can have a significant effect on the company's ability to trade.

Assessment of change in risk year-on-year - Previously the company had decreased its trade sales and therefore the amount of credit given was reduced. During the year the company increased its trading with trade customers and therefore this is a principal risk to the company.

Mitigation of risk - Continued monitoring of amounts outstanding for both time and credit limits. Companies are checked for credit worthiness prior to credit being made available.

Over the next 12 months the company will make every effort to reduce stock holding and converting stock to cash. The cash will be reinvested in stock lines that are of a greater profit margin and will turnover more frequently. The development of the workshop and implementation of a new computer system will be the company's top priority. The company will invest in a new Dealer Management System and a new Enterprise Resource Planning System. The company will focus over the next 12 months on recruiting new staff and maximising every opportunity with the new franchises taken on board in 2020.

This report was approved by the board of directors on 21/02/2022 and signed on behalf of the board by:


M T Collings
Director

M & P Direct Limited

Directors' Report

Year ended 31 December 2020

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

Directors

The directors who served the company during the year were as follows:

C K Eady
L J Ballard
M T Collings

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 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.

M & P Direct Limited

Directors' Report *(continued)*

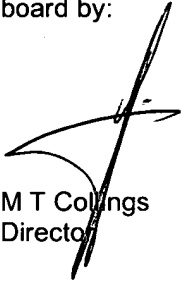
Year ended 31 December 2020

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 21/02/2022 and signed on behalf of the board by:



M T Collings
Director

M & P Direct Limited

Independent Auditor's Report to the Members of M & P Direct Limited

Year ended 31 December 2020

Opinion

We have audited the financial statements of M & P Direct Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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;
- 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.

M & P Direct Limited

Independent Auditor's Report to the Members of M & P Direct Limited (continued)

Year ended 31 December 2020

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. 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 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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

M & P Direct Limited

Independent Auditor's Report to the Members of M & P Direct Limited *(continued)*

Year ended 31 December 2020

Auditor's responsibilities for the audit of the 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: <http://www.frc.org.uk/auditorsresponsibilities>.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



21/02/22

Nicholas Bassett (Senior Statutory Auditor)

For and on behalf of
Harris Bassett Limited
Chartered accountants & statutory auditor
5 New Mill Court
Phoenix Way
Enterprise Park
Swansea
SA7 9FG

M & P Direct Limited

Statement of Income and Retained Earnings

Year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	22,962,972	21,354,585
Cost of sales		<u>(17,674,357)</u>	<u>(15,438,911)</u>
Gross profit		5,288,615	5,915,674
Distribution costs		<u>(3,009,842)</u>	<u>(2,865,909)</u>
Administrative expenses		<u>(2,700,381)</u>	<u>(2,928,047)</u>
Other operating income	5	<u>490,001</u>	<u>3,600</u>
Operating profit	6	68,393	125,318
Other interest receivable and similar income	9	<u>49</u>	<u>198</u>
Interest payable and similar expenses	10	<u>(50,510)</u>	<u>(50,100)</u>
Profit before taxation		17,932	75,416
Tax on profit	11	<u>(15,693)</u>	<u>(22,948)</u>
Profit for the financial year and total comprehensive income		<u>2,239</u>	<u>52,468</u>
Retained earnings at the start of the year		<u>6,558,711</u>	<u>6,506,243</u>
Retained earnings at the end of the year		<u>6,560,950</u>	<u>6,558,711</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

M & P Direct Limited
Statement of Financial Position
31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	5,760,937	5,741,045
Current assets			
Stocks	14	5,931,061	7,281,953
Debtors	15	1,309,907	1,226,220
Cash at bank and in hand		210,579	12,882
		<u>7,451,547</u>	<u>8,521,055</u>
Creditors: amounts falling due within one year	17	<u>(4,798,140)</u>	<u>(5,637,526)</u>
Net current assets		<u>2,653,407</u>	<u>2,883,529</u>
Total assets less current liabilities		<u>8,414,344</u>	<u>8,624,574</u>
Creditors: amounts falling due after more than one year	18	<u>(1,250,144)</u>	<u>(1,485,613)</u>
Provisions			
Taxation including deferred tax	20	<u>(281,000)</u>	<u>(258,000)</u>
Net assets		<u>6,883,200</u>	<u>6,880,961</u>
Capital and reserves			
Called up share capital	24	322,250	322,250
Profit and loss account	25	6,560,950	6,558,711
Shareholders funds		<u>6,883,200</u>	<u>6,880,961</u>

These financial statements were approved by the board of directors and authorised for issue on 21/02/2021, and are signed on behalf of the board by:


M T Collings
Director
Company registration number: 03928542

The notes on pages 12 to 23 form part of these financial statements.

M & P Direct Limited

Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the financial year		2,239	52,468
<i>Adjustments for:</i>			
Depreciation of tangible assets		315,335	294,502
Government grant income		(486,401)	–
Other interest receivable and similar income		(49)	(198)
Interest payable and similar expenses		50,510	50,100
Gains on disposal of tangible assets		(7,284)	(7,294)
Tax on profit		15,693	22,948
Accrued expenses		59,857	38,823
<i>Changes in:</i>			
Stocks		1,350,892	(2,209,908)
Trade and other debtors		(83,687)	15,645
Trade and other creditors		(1,447,513)	1,617,117
Cash generated from operations		(230,408)	(125,797)
Interest paid		(50,510)	(50,100)
Interest received		49	198
Tax paid		(6,641)	(46,950)
Net cash used in operating activities		<u>(287,510)</u>	<u>(222,649)</u>
Cash flows from investing activities			
Purchase of tangible assets		(341,824)	(529,639)
Proceeds from sale of tangible assets		13,881	14,850
Net cash used in investing activities		<u>(327,943)</u>	<u>(514,789)</u>
Cash flows from financing activities			
New loans/(repayment of borrowings)		228,907	313,014
Proceeds from/(repayment of) loans from participating interests		(41,496)	195,770
Government grant income		486,401	–
Proceeds from/(payments of) finance leases		(94,373)	88,562
Net cash from financing activities		<u>579,439</u>	<u>597,346</u>
Net decrease in cash and cash equivalents		(36,014)	(140,092)
Cash and cash equivalents at beginning of year		(138,861)	1,231
Cash and cash equivalents at end of year	16	<u>(174,875)</u>	<u>(138,861)</u>

The notes on pages 12 to 23 form part of these financial statements.

M & P Direct Limited

Notes to the Financial Statements

Year ended 31 December 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Phoenix Way, Garngoch Industrial Estate, Gorseinon, Swansea, SA4 9HN.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Turnover represents amounts receivable for goods and services net of VAT and trade discounts:

Income tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	20% straight line
Licences	-	10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and buildings	-	2% straight line
Plant and machinery	-	20% straight line
Fixtures and Fittings	-	10% straight line
Motor vehicles	-	25% straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Inventories

Stock is valued at the lower of cost and net realisable value.

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2020 £	2019 £
Sale of goods	22,793,175	21,158,240
Commissions	149,325	98,263
Other significant types of revenue	20,472	98,082
	<u>22,962,972</u>	<u>21,354,585</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2020 £	2019 £
Rental income	3,600	3,600
Government grant income	486,401	—
	<u>490,001</u>	<u>3,600</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020 £	2019 £
Depreciation of tangible assets	315,335	294,502
Gains on disposal of tangible assets	(7,284)	(7,294)
Foreign exchange differences	9,801	3,266
Fees payable for the audit of the financial statements	<u>9,000</u>	<u>9,000</u>

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020 No.	2019 No.
Distribution staff	74	73
Administrative staff	31	32
	<u>105</u>	<u>105</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £	2019 £
Wages and salaries	2,292,216	2,214,261
Other pension costs	36,057	30,791
	<u>2,328,273</u>	<u>2,245,052</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020 £	2019 £
Remuneration	<u>156,751</u>	<u>152,146</u>

During the year, retirement benefits of £3,327 (2020: £3,163) were paid on behalf of 3 directors (2020 - 3) in respect of defined contribution schemes.

9. Other interest receivable and similar income

	2020 £	2019 £
Interest on cash and cash equivalents	<u>49</u>	<u>198</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Interest on banks loans and overdrafts	44,968	45,743
Interest on obligations under finance leases and hire purchase contracts	5,542	4,357
	<u>50,510</u>	<u>50,100</u>

11. Tax on profit

Major components of tax expense

	2020 £	2019 £
Current tax:		
UK current tax (income)/expense	(7,307)	13,948

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

11. Tax on profit *(continued)*

	2020 £	2019 £
Deferred tax:		
Origination and reversal of timing differences	<u>23,000</u>	<u>9,000</u>
Tax on profit	<u>15,693</u>	<u>22,948</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £	2019 £
Profit on ordinary activities before taxation	<u>17,932</u>	<u>75,416</u>
Profit on ordinary activities by rate of tax	<u>3,407</u>	<u>14,329</u>
Adjustment to tax charge in respect of prior periods	<u>(10,639)</u>	<u>—</u>
Effect of expenses not deductible for tax purposes	<u>(388)</u>	<u>1,966</u>
Effect of capital allowances and depreciation	<u>313</u>	<u>(2,347)</u>
Other tax adjustment to increase/(decrease) tax liability	<u>23,000</u>	<u>9,000</u>
Tax on profit	<u>15,693</u>	<u>22,948</u>

12. Intangible assets

	Goodwill £	Development costs £	Total £
Cost			
At 1 January 2020 and 31 December 2020	<u>120,510</u>	<u>81,805</u>	<u>202,315</u>
Amortisation			
At 1 January 2020 and 31 December 2020	<u>120,510</u>	<u>81,805</u>	<u>202,315</u>
Carrying amount			
At 31 December 2020	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2019	<u>—</u>	<u>—</u>	<u>—</u>

M & P Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

13. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2020	6,090,891	416,303	557,225	81,977	7,146,396
Additions	275,020	3,380	26,790	36,634	341,824
Disposals	–	(3,000)	–	(41,732)	(44,732)
At 31 December 2020	6,365,911	416,683	584,015	76,879	7,443,488
Depreciation					
At 1 January 2020	806,746	221,940	315,808	60,857	1,405,351
Charge for the year	186,949	46,982	68,098	13,306	315,335
Disposals	–	(1,199)	–	(36,936)	(38,135)
At 31 December 2020	993,695	267,723	383,906	37,227	1,682,551
Carrying amount					
At 31 December 2020	5,372,216	148,960	200,109	39,652	5,760,937
At 31 December 2019	5,284,145	194,363	241,417	21,120	5,741,045

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
At 31 December 2020	15,226	52,223	–	67,449
At 31 December 2019	20,034	74,602	9,591	104,227

14. Stocks

	2020 £	2019 £
Finished goods	5,931,061	7,281,953

Stocks recognised in cost of sales during the year as an expense were £16,065,557 (2019: £17,365,383). An impairment loss of £150,000 (2019: £150,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

M & P Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

15. Debtors

	2020 £	2019 £
Trade debtors	–	25,246
Amounts owed by group undertakings	330,000	–
Amounts owed by undertakings in which the company has a participating interest	644,192	594,192
Prepayments and accrued income	189,994	191,393
Corporation tax repayable	25,570	–
Directors loan account	–	8,164
Other debtors	120,151	407,225
	<u>1,309,907</u>	<u>1,226,220</u>

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2020 £	2019 £
Cash at bank and in hand	210,579	12,882
Bank overdrafts	(385,454)	(151,743)
	<u>(174,875)</u>	<u>(138,861)</u>

17. Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans and overdrafts	498,381	151,743
Trade creditors	2,905,289	4,607,256
Amounts owed to undertakings in which the company has a participating interest	207,950	249,446
Accruals and deferred income	167,129	107,272
Corporation tax	–	13,948
Social security and other taxes	318,375	360,879
Obligations under finance leases and hire purchase contracts	3,791	27,432
Director loan accounts	280,717	–
Other creditors	416,508	119,550
	<u>4,798,140</u>	<u>5,637,526</u>

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

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

	2020 £	2019 £
Bank loans and overdrafts	1,231,140	1,395,877
Obligations under finance leases and hire purchase contracts	19,004	89,736
	<u>1,250,144</u>	<u>1,485,613</u>

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

18. Creditors: amounts falling due after more than one year *(continued)*

Included within creditors: amounts falling due after more than one year is an amount of £1,231,140 (2019: £823,500) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The bank loans are secured with a legal charge over the property at Phoenix Way, Garngoch Industrial Estate, Gorseinon, Swansea, SA4 9HN. Interest is charged at 1.99% and 1.99% respectively over BOE Base Rate and the loans will be repaid monthly.

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2020	2019
	£	£
Not later than 1 year	3,791	27,432
Later than 1 year and not later than 5 years	19,004	89,736
	<u>22,795</u>	<u>117,168</u>

20. Provisions

	Deferred tax (note 21) £
At 1 January 2020	258,000
Additions	23,000
At 31 December 2020	<u>281,000</u>

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020	2019
	£	£
Included in provisions (note 20)	<u>281,000</u>	<u>258,000</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020	2019
	£	£
Provisions	<u>281,000</u>	<u>258,000</u>

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £36,057 (2019: £30,791).

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

23. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2020	2019
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	<u>486,401</u>	<u>—</u>

24. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>322,250</u>	<u>322,250</u>	<u>322,250</u>	<u>322,250</u>

25. Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account - This reserve records retained earnings and accumulated losses.

26. Analysis of changes in net debt

	At 1 Jan 2020	Cash flows	At 31 Dec 2020
	£	£	£
Cash at bank and in hand	12,882	197,697	210,579
Bank overdrafts	(151,743)	(233,711)	(385,454)
Debt due within one year	(276,878)	(328,507)	(605,385)
Debt due after one year	(1,485,613)	235,469	(1,250,144)
	<u>(1,901,352)</u>	<u>(129,052)</u>	<u>(2,030,404)</u>

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Not later than 1 year	152,000	152,274
Later than 1 year and not later than 5 years	368,000	448,000
Later than 5 years	234,000	306,000
	<u>754,000</u>	<u>906,274</u>

M & P Direct Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

28. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

	2020			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
L J Ballard	10,400	16,000	(30,000)	(3,600)
M T Collings	(2,236)	25,119	(300,000)	(277,117)
	<u>8,164</u>	<u>41,119</u>	<u>(330,000)</u>	<u>(280,717)</u>

	2019			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
L J Ballard	—	15,400	(5,000)	10,400
M T Collings	(9,602)	9,866	(2,500)	(2,236)
	<u>(9,602)</u>	<u>25,266</u>	<u>(7,500)</u>	<u>8,164</u>

Amounts owed by or to directors are interest free and repayable on demand.

29. Related party transactions

During the year the company incurred the following transactions with companies connected by common control:-

Smarks Limited:

Sales/recharges of expenses on normal trading terms of £19,879 (2019 - £21,815).

Management fees charged of £15,000 (2019 - £15,000).

Purchases/recharges from Smarks Limited at 31 December 2019 was £81,407 (2019 - £91,402).

The balance due to Smarks Limited at 31 December 2020 was £207,950 (2019 - £249,446).

Busters Limited:

Management fees charged of £25,000 (2019 - £25,000).

The balance due from Busters at 31 December 2020 was £644,192 (2019 - £594,192).

MCBH Limited:

The balance due from MCBH Limited at 31 December 2020 was £330,000 (2019 - NIL).

M & P Direct Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

30. Controlling party

The immediate parent company is MCBH Limited, a company registered in England and Wales. Copies of MCBH Limited consolidated financial statements can be obtained from the Company Secretary at Phoenix Way, Garngoch Industrial Estate, Gorseinon, Swansea SA4 9HN. The ultimate controlling party is Mr M T Collings who is both a director and majority shareholder of MCBH Limited.