

Company Registration No. 04089418 (England and Wales)

**M & L CAPITAL MANAGEMENT LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2021**



# M & L CAPITAL MANAGEMENT LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R J Morgan M Sheppard
<b>Secretary</b>	P Sheppard
<b>Company number</b>	04089418
<b>Registered office</b>	12a Princes Gate Mews London England SW7 2PS
<b>Auditor</b>	Azets Audit Services Ship Canal House 98 King Street Manchester M2 4WU

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# **M & L CAPITAL MANAGEMENT LIMITED**

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# M & L CAPITAL MANAGEMENT LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 JULY 2021

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The directors present the strategic report for the year ended 31 July 2021.

The purpose of the Strategic Report is to provide a business review of M&L Capital Management Ltd ("the company") by:

- Analysing the company's development and performance using appropriate key performance indicators ("KPIs");
- Outlining the principal risks and uncertainties affecting the company;
- Describing how the company manages these risks;
- Explaining the future business plans of the company; and
- Outlining the main trends and factors likely to affect the future development, performance and position of the company's business.

#### Corporate information

The company is authorised and regulated by the Financial Conduct Authority (FRN: 672181). The company is registered in England & Wales under Company Number 04089418.

#### Principal activity

The principal activity of the company is to provide fund management services to closed end funds.

#### Regulatory Developments

The company remains classified as a Collective Portfolio Management Investment firm (CPMI) by the FCA for regulatory purposes.

The company continues to update its business processes in order to ensure it evolves with an ever-advancing industry. These processes are reviewed extensively by the company's external compliance consultants and the Directors are confident that the company meets all its regulatory requirements, including Mifid II and the levels of financial resources required under the AIFMD.

#### Performance and key performance indicators

The company tracks its performance against four key financial, operational and commercial metrics that the Directors judge to be the best indicators of the success of the company. These key performance indicators are detailed below:

- **Turnover:** Turnover is earned from the management and portfolio management of the funds under management. As funds under management increase so should turnover hence absolute performance is key.

Turnover for the year was £1,956,831 (2020: £1,564,773), an increase of 25 per cent. This was due to increase in funds under management (from share issues at Manchester & London Investment Trust and good investment performance) .

- **Operating Profit:** Cost management is key to ensure that operating profits are maximised.

Operating profit before investment activities for the reporting period was £856,425 (2020: £572,141). This increase was due primarily to increased turnover.

# M & L CAPITAL MANAGEMENT LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 JULY 2021

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- **Funds under Management:** As detailed in point 1 above the most direct driver of financial returns will be the quantum of the funds under the company's management.

The company continues to operate its sole investment fund Manchester & London Investment Trust plc ("MLIT"). The continued growth of the AUM at MLIT has driven the increase in turnover of the company.

- **Net asset growth:** Net asset growth is particularly important as any increase in net assets is likely to increase the company's financial resources for regulatory purposes. The company's resources remain in excess of its capital requirement as required by the Financial Conduct Authority.

Some of the company's excess capital may also from time to time be invested in liquid transferable securities, as an alternative to holding cash, including securities held in funds under the company's management.

Net assets as at 31 July 2021 amounted to £1,949,835 (2020: £1,281,281), an increase of 52.2 per cent.

#### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the company continues to adopt the going concern basis in preparing the financial statements.

#### Principal risks and uncertainties associated with the company

The company is exposed to a range of economic, market, operational, liquidity and general financial risks.

#### Market downturn

The main impact on the company of an acute market downturn would be that assets under management would fall and hence revenues would also fall, which would have a direct impact on the profits of the company.

#### Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. There is a whole range of operational risks including reputational risks, and the company seeks to mitigate operational risk to acceptable residual levels in accordance with its risk policy, by maintaining its control environment, which is managed through the company's operational risk management framework. It is understood that a significant but non-catastrophic operational loss could affect its reputation, possibly leading to impairment of its business and organisation.

As the company's activities are predominantly focused on the Stock Market, falling share prices would have an adverse impact on the company's results.

A proportion of the company's overall costs are variable rather than fixed. This gives an essential element of protection in market down-turns.

The company's controls include the segregation of duties when authorising and processing transactions, reconciliations, cross-checks and rotation of operational roles. Responsibility for specific controls is allocated to operatives with appropriate seniority and experience.

The company has a business continuity and disaster recovery plan, which is regularly reviewed.

# M & L CAPITAL MANAGEMENT LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2021**

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### Principal risks and uncertainties

#### Covid-19

The majority of the Company's funds under management are in investments that are digital focused and likely less exposed to Covid-19 risks than the average index security. Nevertheless, a resurgence in Covid infections and/or further lockdowns could affect investment returns and therefore funds under management.

The company and its key partners can continue operate in a remote working/lockdown scenario.

#### Liquidity risk

Liquidity risk is the risk that the business will be unable to meet its financial obligations as they fall due. The company manages liquidity risk by maintaining adequate reserves of cash and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In respect of trade payables, the amounts due are all normally payable between 0 and 30 days.

The regulatory assessment liquidity risk also addresses prepayments and other non-trading book assets such as accrued income. All of the company's cash deposits are repayable on demand.

#### Risk management

The company's risk management processes are designed to be adequate for the purpose of monitoring and reacting to changes in the risk areas to which it is exposed. This takes into account all the activities undertaken by the company and its current financial state of affairs.

In assessing the risks within the company, the Directors take an active role in planning strategies in response to changes in the market environment and oversee the company's internal control processes.

The company has identified operational risk as its most significant risk. The level of risk in this field is judged to be acceptable because of the conservative approach to risk by the management and staff of the company.

#### Social, ethical and environmental policy

As a fund management company there are no direct social, environmental or community responsibilities. Its ethical policy is focused on ensuring that client funds are properly managed and invested.

Investments are made in companies that it considers to be well managed and subject to appropriate corporate governance. A well-managed company is considered to be one that complies with all the relevant legislation and that meets the environmental, social, community and ethical requirements of the country in which it operates. It is important to recognise that local laws and requirements of some markets do not necessarily equate with those of developed countries.

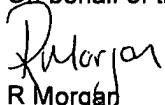
The company's ultimate objective, however, is to maximise risk adjusted investment returns for its clients and shareholders. Accordingly, the Investment Managers will seek to favour companies that pursue best practice in governance, but this must not be to the detriment of the return on client funds.

The funds the company manages currently have no exposure to the Oil & Gas sector. Neither of the directors own a combustion engine car. The full social, ethical and environmental policy of the company can be found on its website at <http://www.mlcapman.com/esg/>.

#### Future development

The Directors constantly review the structure and the investment strategy of the company to effectively implement procedures and policies that will steer the company to future growth and profitability.

On behalf of the board



R Morgan

Director

15 September 2021

# **M & L CAPITAL MANAGEMENT LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 JULY 2021**

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The directors present their annual report and financial statements for the year ended 31 July 2021.

### **Principal activities**

The principal activity of the company continued to be that of the provision of fund management services to both closed ended and open ended funds.

### **Directors**

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

R J Morgan  
M Sheppard

### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid in current year (2020: £250,962). The directors do not recommend payment of a final dividend.

### **Auditor**

In accordance with the company's articles, a resolution proposing that Azets Audit Services be reappointed as auditor of the company will be put at a General Meeting.

### **Statement of directors' responsibilities**

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 & L CAPITAL MANAGEMENT LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

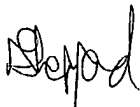
***FOR THE YEAR ENDED 31 JULY 2021***

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### **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.

On behalf of the board



M Sheppard

**Director**

15 September 2021



# M & L CAPITAL MANAGEMENT LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF M & L CAPITAL MANAGEMENT LIMITED

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#### Opinion

We have audited the financial statements of M & L Capital Management Limited (the 'company') for the year ended 31 July 2021 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows 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 July 2021 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.

# **M & L CAPITAL MANAGEMENT LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBER OF M & L CAPITAL MANAGEMENT LIMITED**

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#### **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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# M & L CAPITAL MANAGEMENT LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBER OF M & L CAPITAL MANAGEMENT LIMITED

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#### **Extent to which the audit was considered 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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

#### **Use of our report**

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

*Azets Audit Services*

**Lee Van Houplines (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

15 September 2021

**Chartered Accountants**  
**Statutory Auditor**

Ship Canal House  
98 King Street  
Manchester  
M2 4WU

# M & L CAPITAL MANAGEMENT LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS (INCLUDING A PROFIT AND LOSS ACCOUNT)

FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 £	2020 £
Turnover	2	1,956,831	1,564,773
Cost of sales		(227,259)	(244,377)
<b>Gross profit</b>		<b>1,729,572</b>	<b>1,320,396</b>
Administrative expenses		(893,025)	(759,184)
Other operating income		19,878	10,929
<b>Operating profit</b>	3	<b>856,425</b>	<b>572,141</b>
Income from fixed asset investments		26	1,487
Net movement on investments		(58,265)	68,129
<b>Profit before taxation</b>		<b>798,186</b>	<b>641,757</b>
Tax on profit	6	(129,632)	(33,925)
<b>Profit for the financial year</b>		<b>668,554</b>	<b>607,832</b>
Retained earnings brought forward		991,575	634,705
Dividends	7	-	(250,962)
<b>Retained earnings carried forward</b>		<b>1,660,129</b>	<b>991,575</b>

The statement of income and retained earnings has been prepared on the basis that all operations are continuing operations.

# M & L CAPITAL MANAGEMENT LIMITED

## BALANCE SHEET

AS AT 31 JULY 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Tangible assets	8		-		3,940
<b>Current assets</b>					
Debtors	10	214,656		249,706	
Investments		1,094,527		691,967	
Cash at bank and in hand		731,410		394,328	
		<u>2,040,593</u>		<u>1,336,001</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(90,758)</u>		<u>(58,138)</u>	
<b>Net current assets</b>			<u>1,949,835</u>		<u>1,277,863</u>
<b>Total assets less current liabilities</b>			<u>1,949,835</u>		<u>1,281,803</u>
<b>Provisions for liabilities</b>					
Deferred tax liability	12	<u>-</u>		<u>522</u>	
			<u>-</u>		<u>(522)</u>
<b>Net assets</b>			<u><u>1,949,835</u></u>		<u><u>1,281,281</u></u>
<b>Capital and reserves</b>					
Called up share capital	13	240,173		240,173	
Share premium account		49,533		49,533	
Profit and loss reserves		<u>1,660,129</u>		<u>991,575</u>	
<b>Total equity</b>			<u><u>1,949,835</u></u>		<u><u>1,281,281</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15 September 2021 and are signed on its behalf by:



M Sheppard  
Director

Company Registration No. 04089418

# M & L CAPITAL MANAGEMENT LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	17	872,850		527,348	
Income taxes paid		(36,601)		(125,339)	
<b>Net cash inflow from operating activities</b>		<b>836,249</b>		<b>402,009</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(663)		(4,040)	
Purchase of fixed asset investments		(478,516)		(660,411)	
Proceeds on disposal of fixed asset investments		17,691		378,656	
Interest received		26		1,487	
<b>Net cash used in investing activities</b>		<b>(461,462)</b>		<b>(284,308)</b>	
<b>Financing activities</b>					
Net movement on amounts owed to/from related parties		(37,705)		(47,147)	
<b>Net cash used in financing activities</b>		<b>(37,705)</b>		<b>(47,147)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>337,082</b>		<b>70,554</b>	
Cash and cash equivalents at beginning of year		394,328		323,774	
<b>Cash and cash equivalents at end of year</b>		<b>731,410</b>		<b>394,328</b>	

# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 JULY 2021**

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### **1 Accounting policies**

#### **Company information**

M & L Capital Management Limited is a private company limited by shares incorporated in England and Wales. The registered office is 12a Princes Gate Mews, London, England, SW7 2PS.

#### **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 fixed asset investments at fair value. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Fee income which is contingent upon market performance conditions is recognised upon receipt. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

#### **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:

Office equipment	33% straight line
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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.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

#### **1.5 Investments**

Investments are held at their current market value and any unrealised gains or losses are recognised in the profit and loss account in the period to which they relate. Realised gains or losses are recognised in the profit and loss as they arise.

For investments that are actively traded in organised financial markets, fair value is determined by reference to market bid prices at the close of business on the balance sheet date.

# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

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### 1 Accounting policies

(Continued)

#### 1.6 Debtors

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

#### 1.7 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

#### 1.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

#### 1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest rate method.

#### 1.10 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.



# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

### 1 Accounting policies (Continued)

#### 1.11 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.

### 2 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	1,956,833	1,541,556
Rest of Europe	-	23,217
	<u>1,956,833</u>	<u>1,564,773</u>

The turnover and the profit before tax are attributable to the principal activity of the company.

### 3 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging:		
Differences on foreign exchange	19,490	1,521
Auditor's remuneration	12,000	16,710
Depreciation of tangible fixed assets	4,603	4,356
	<u></u>	<u></u>

### 4 Employees

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

2021 Number	2020 Number
4	4
<u></u>	<u></u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	485,741	429,253
Social security costs	62,322	54,450
Pension costs	987	581
	<u>549,050</u>	<u>484,284</u>

# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

### 5 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	430,645	376,638

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	350,000	300,000

### 6 Taxation

	2021 £	2020 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	159,591	79,156
Adjustments in respect of prior periods	(29,377)	(45,340)
Total current tax	130,214	33,816
<b>Deferred tax</b>		
Origination and reversal of timing differences	(582)	109
Total tax charge	129,632	33,925

The actual 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:

	2021 £	2020 £
Profit before taxation	798,186	641,757
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	151,655	121,934
Tax effect of expenses that are not deductible in determining taxable profit	11,235	182
Tax effect of income not taxable in determining taxable profit	(3,758)	(4,342)
Group relief	-	(35,152)
Under/(over) provided in prior years	(29,377)	(45,340)
Other differences	(123)	(3,357)
Taxation charge for the year	129,632	33,925

# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

### 7 Dividends

	2021 £	2020 £
Equity dividends	-	250,962

### 8 Tangible fixed assets

	Office equipment £
<b>Cost</b>	
At 1 August 2020	25,292
Additions	663
At 31 July 2021	25,955
<b>Depreciation and impairment</b>	
At 1 August 2020	21,352
Depreciation charged in the year	4,603
At 31 July 2021	25,955
<b>Carrying amount</b>	
At 31 July 2021	-
At 31 July 2020	3,940

### 9 Current asset investments

	2021 £	2020 £
Listed investments	1,094,527	691,967

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2021**

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# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

### 11 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	3,617	31,742
Corporation tax	51,165	-
Other taxation and social security	9,553	8,245
Accruals and deferred income	26,423	18,151
	<u>90,758</u>	<u>58,138</u>

### 12 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
<b>Balances:</b>				
Accelerated capital allowances	-	522	329	-
Tax losses	-	-	(157)	-
Short term timing differences	-	-	(112)	-
	<u>-</u>	<u>522</u>	<u>60</u>	<u>-</u>
<b>Movements in the year:</b>				2021 £
Liability at 1 August 2020				522
Credit to profit or loss				(582)
Liability/(Asset) at 31 July 2021				<u>(60)</u>

### 13 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	<u>240,173</u>	<u>240,173</u>	<u>240,173</u>	<u>240,173</u>

### 14 Profit and loss reserve

The profit and loss account represents accumulated trading profits, less equity dividends paid. An amount of £29,419 (2020: £88,722) relates to the non-distributable element of the fair value movement.

# M & L CAPITAL MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

### 15 Related party transactions

M&M Investment Company Ltd ("MMIC") is the sole shareholder of the company. During the reporting period MMIC paid expenses of £178,259 (2020: £291,578) on behalf of the company, charged the company £71,000 (2020: £71,000) for rent and service charges and £nil (2020: £2,344) for management charges. £4,390 was owed by MMIC at the balance sheet date (2020: £5,498 owed to MMIC).

Manchester & London Investment Trust Plc ("MLIT") is an investment of MMIC. During the reporting period, the company charged portfolio management fees to MLIT of £1,955,458 (2020: £1,470,240) and recharged expenses totalling £1,800 (2020: £739). At the balance sheet date, the company was owed £176,833 (2020: £149,015) by MLIT.

### 16 Ultimate controlling party

The company is a wholly owned subsidiary of M&M Investment Company Ltd ("MMIC").

All MMIC shares are owned directly or indirectly by the Sheppard family. Hence, MMIC is under the control of Mark Sheppard by virtue of his direct and beneficial shareholdings in the company.

### 17 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	668,554	607,832
<b>Adjustments for:</b>		
Taxation charged	129,632	33,925
Investment income	(26)	(1,487)
Depreciation and impairment of tangible fixed assets	4,603	4,356
Gain on sale of investments	(1,038)	(56,205)
Net movement on fair value of investments	59,303	(11,924)
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	30,367	(6,161)
(Decrease) in creditors	(18,545)	(42,988)
<b>Cash generated from operations</b>	<b>872,850</b>	<b>527,348</b>