

Hallmark Group Holdings Limited
Group Strategic Report, Report of the Directors and
Consolidated Financial Statements
for the Period 1st September 2019 to 31st December 2020

Smailes Goldie
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

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for the period 1st September 2019 to 31st December 2020**

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Company Information
for the period 1st September 2019 to 31st December 2020

DIRECTORS:

B Sonley
S Chapman
V Petraityte
P J Spencer

REGISTERED OFFICE:

Valletta House
Valletta Street
Hedon Road
Hull
East Yorkshire
HU9 5NP

REGISTERED NUMBER:

10234159 (England and Wales)

AUDITORS:

Smailes Goldie
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

**Group Strategic Report
for the period 1st September 2019 to 31st December 2020**

The directors present their strategic report of the company and the group for the period 1st September 2019 to 31st December 2020.

Business

The company was incorporated on 15 June 2016.

The company has four wholly owned trading subsidiaries being Hallmark Group Products Limited, Hallmark Panels Limited, Laminated Supplies Limited and Valletta Surplus Limited.

Hallmark Group Products Limited is a holding company for the four manufacturing companies in the group. Hallmark Panels Limited manufacture laminated products, doors and door panels. Laminated Supplies Limited manufacture laminated products and Valletta Surplus Limited sells surplus goods.

REVIEW OF BUSINESS

The full results for the year are set out on page 5. The directors have paid an interim dividend amounting to £345,370 (2019: £81,000) and do not recommend payment of a final dividend (2019: nil).

The group has had a successful period, achieving an operating profit of £1,056,624 (2019: £383,849). The group is continuing to monitor costs closely to ensure it can continue to trade competitively and successfully in the future. Sufficient working capital is in place to support the group's activities.

The group maintain a number of key performance indicators in respect of sales growth, gross margin and circulation numbers.

The key financial and other performance indicators during the year were as follows:

		2020	2019
	£		
Turnover		13,746,503	9,892,827
Profit before taxation		397,914	314,033
Equity shareholders' funds		1,691,905	1,919,971

PRINCIPAL RISKS AND UNCERTAINTIES

The group faces competition risk from other companies in the industry resulting in pressure to keep prices low whilst ensuring quality remains high. Another key risk is the performance of the UK and European economies.

FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise bank balances, invoice discounting, trade debtors, trade creditors and asset finance agreements. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's operations.

Due to the nature of the financial instruments used by the group there is minimal exposure to price risk. The group's approach to managing other risks applicable to the financial instruments is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of invoice discounting facilities within the group.

In respect of bank loans, these comprise loans from financial institutions. The interest rates on the loans are variable and the monthly repayments are fixed. The group manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

In respect of asset finance agreements, the interest rate and monthly repayments are fixed. The group manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. This is also managed by the use of invoice discounting, which ensures reduced exposure to bad debts and also offers a funding facility for which interest and charges are made.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts as they fall due.

**Group Strategic Report
for the period 1st September 2019 to 31st December 2020**

FUTURE OUTLOOK

New products are constantly being added to the group's comprehensive range to meet the demand of its customers.

The board believes that the company's strategy together with its experienced management will be a solid foundation for future successful performance.

IMPACT OF COVID 19

The COVID 19 pandemic has had a significant impact on the global economy which in turn has had an impact on material supply chains.

During the financial period ending 31 December 2020 the group had an eight week period of closure due to the national lockdown. Following the onset of this severe event the directors took immediate action to protect the business and its employees from the effects of the pandemic.

As a consequence of the directors' actions the financial results for the period ending 31 December 2020 have seen a significant improvement on previous period's results.

The group's first quarter of 2021 continues to see increased profitable growth and the future outlook is considered to be positive.

ON BEHALF OF THE BOARD:

B Sonley - Director

31st March 2021

**Report of the Directors
for the period 1st September 2019 to 31st December 2020**

The directors present their report with the financial statements of the company and the group for the period 1st September 2019 to 31st December 2020.

DIVIDENDS

Interim dividends per share were paid as follows:

Class A Shares 1 shares	£0.30	- 31st December 2020
Class B1 Shares 1 shares	£226.85	- 31st December 2020
Class B2 Shares 1 shares	£226.85	- 31st December 2020

The directors recommend that no final dividends be paid.

The total distribution of dividends for the period ended 31st December 2020 will be £ 345,370 .

DIRECTORS

The directors shown below have held office during the whole of the period from 1st September 2019 to the date of this report.

B Sonley
S Chapman
V Petraityte
P J Spencer

Other changes in directors holding office are as follows:

L Snell - resigned 18th December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 group and of the profit or loss of the group 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Smailes Goldie, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

B Sonley - Director

31st March 2021

Report of the Independent Auditors to the Members of Hallmark Group Holdings Limited

Opinion

We have audited the financial statements of Hallmark Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31st December 2020 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31st December 2020 and of the group's profit for the period 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Report of the Independent Auditors to the Members of Hallmark Group Holdings Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Michael Stocks ACA (Senior Statutory Auditor)
for and on behalf of Smailes Goldie
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

31st March 2021

Consolidated Income Statement
for the period 1st September 2019 to 31st December 2020

	Notes	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
TURNOVER		13,746,503	9,892,827
Cost of sales		<u>9,814,549</u>	<u>7,011,265</u>
GROSS PROFIT		3,931,954	2,881,562
Administrative expenses		<u>3,040,634</u>	<u>2,533,227</u>
		891,320	348,335
Other operating income		<u>165,304</u>	<u>35,514</u>
OPERATING PROFIT	4	1,056,624	383,849
Loss on sale of asset	5	<u>610,605</u>	<u>-</u>
		446,019	383,849
Interest payable and similar expenses	6	<u>48,105</u>	<u>69,816</u>
PROFIT BEFORE TAXATION		397,914	314,033
Tax on profit	7	<u>122,707</u>	<u>29,847</u>
PROFIT FOR THE FINANCIAL PERIOD		275,207	284,186
Profit attributable to: Owners of the parent		<u>275,207</u>	<u>284,186</u>

**Consolidated Other Comprehensive Income
for the period 1st September 2019 to 31st December 2020**

	Notes	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
PROFIT FOR THE PERIOD		275,207	284,186
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>275,207</u>	<u>284,186</u>
Total comprehensive income attributable to: Owners of the parent		<u>275,207</u>	<u>284,186</u>

Consolidated Balance Sheet
31st December 2020

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Intangible assets	10		57,275		17,522
Tangible assets	11		2,480,382		3,572,837
Investments	12		-		-
			<u>2,537,657</u>		<u>3,590,359</u>
CURRENT ASSETS					
Stocks	13	1,312,837		973,962	
Debtors	14	1,547,194		1,707,233	
Cash at bank and in hand		<u>801,120</u>		<u>477,877</u>	
		3,661,151		3,159,072	
CREDITORS					
Amounts falling due within one year	15	<u>2,998,205</u>		<u>3,628,072</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>662,946</u>		<u>(469,000)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,200,603		3,121,359
CREDITORS					
Amounts falling due after more than one year	16		(1,107,148)		(922,545)
PROVISIONS FOR LIABILITIES	19		<u>(401,550)</u>		<u>(278,843)</u>
NET ASSETS			<u>1,691,905</u>		<u>1,919,971</u>
CAPITAL AND RESERVES					
Called up share capital	20		1,000,200		1,000,000
Revaluation reserve	21		-		180,000
Capital redemption reserve	21		79,052		237,155
Retained earnings	21		<u>612,653</u>		<u>502,816</u>
SHAREHOLDERS' FUNDS			<u>1,691,905</u>		<u>1,919,971</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31st March 2021 and were signed on its behalf by:

B Sonley - Director

Company Balance Sheet
31st December 2020

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Intangible assets	10		-		-
Tangible assets	11		-		-
Investments	12		<u>2,065,301</u>		<u>2,065,301</u>
			2,065,301		2,065,301
CURRENT ASSETS					
Debtors	14	200		-	
Cash at bank and in hand		<u>11,635</u>		<u>79</u>	
		11,835		79	
CREDITORS					
Amounts falling due within one year	15	<u>1,061,019</u>		<u>964,213</u>	
NET CURRENT LIABILITIES			(1,049,184)		(964,134)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,016,117		1,101,167
CREDITORS					
Amounts falling due after more than one year	16		-		50,000
NET ASSETS			<u>1,016,117</u>		<u>1,051,167</u>
CAPITAL AND RESERVES					
Called up share capital	20		1,000,200		1,000,000
Retained earnings			<u>15,917</u>		<u>51,167</u>
SHAREHOLDERS' FUNDS			<u>1,016,117</u>		<u>1,051,167</u>
Company's profit for the financial year			<u>310,120</u>		<u>127,405</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 31st March 2021 and were signed on its behalf by:

B Sonley - Director

Consolidated Statement of Changes in Equity
for the period 1st September 2019 to 31st December 2020

	Called up share capital £	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1st September 2018	1,000,000	299,630	180,000	355,732	1,835,362
Changes in equity					
Dividends	-	(81,000)	-	-	(81,000)
Total comprehensive income	-	284,186	-	-	284,186
Transfers	-	-	-	(118,577)	(118,577)
Balance at 31st August 2019	1,000,000	502,816	180,000	237,155	1,919,971
Changes in equity					
Issue of share capital	200	-	-	-	200
Dividends	-	(345,370)	-	-	(345,370)
Total comprehensive income	-	455,207	(180,000)	-	275,207
Transfers	-	-	-	(158,103)	(158,103)
Balance at 31st December 2020	1,000,200	612,653	-	79,052	1,691,905

Company Statement of Changes in Equity
for the period 1st September 2019 to 31st December 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st September 2018	1,000,000	4,762	1,004,762
Changes in equity			
Dividends	-	(81,000)	(81,000)
Total comprehensive income	-	127,405	127,405
Balance at 31st August 2019	<u>1,000,000</u>	<u>51,167</u>	<u>1,051,167</u>
Changes in equity			
Issue of share capital	200	-	200
Dividends	-	(345,370)	(345,370)
Total comprehensive income	-	310,120	310,120
Balance at 31st December 2020	<u>1,000,200</u>	<u>15,917</u>	<u>1,016,117</u>

Consolidated Cash Flow Statement
for the period 1st September 2019 to 31st December 2020

	Notes	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Cash flows from operating activities			
Cash generated from operations	1	171,307	1,045,858
Interest paid		(19,216)	(43,464)
Interest element of hire purchase payments paid		(28,889)	(17,190)
Finance costs paid		-	(9,162)
Tax paid		2,908	6,048
Net cash from operating activities		<u>126,110</u>	<u>982,090</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(45,594)	(21,903)
Purchase of tangible fixed assets		(922,553)	(699,077)
Sale of tangible fixed assets		1,023,171	97,877
		-	(49,842)
Net cash from investing activities		<u>55,024</u>	<u>(672,945)</u>
Cash flows from financing activities			
New loans in year		559,810	325,981
Loan repayments in year		(99,881)	(217,500)
Capital repayments in year		(272,650)	(113,320)
Amount introduced by directors		300,000	-
Share issue		200	-
		-	(230,206)
Equity dividends paid		(345,370)	(81,000)
Net cash from financing activities		<u>142,109</u>	<u>(316,045)</u>
Increase/(decrease) in cash and cash equivalents		<u>323,243</u>	<u>(6,900)</u>
Cash and cash equivalents at beginning of period	2	477,877	484,777
Cash and cash equivalents at end of period	2	<u>801,120</u>	<u>477,877</u>

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement
for the period 1st September 2019 to 31st December 2020**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Profit before taxation	397,914	314,033
Depreciation charges	372,259	282,546
Loss on disposal of fixed assets	625,419	5,595
Release of capital reserve	(158,103)	(114,196)
Finance costs	48,105	69,816
	<u>1,285,594</u>	<u>557,794</u>
(Increase)/decrease in stocks	(338,875)	55,192
(Increase)/decrease in trade and other debtors	(139,960)	121,067
(Decrease)/increase in trade and other creditors	<u>(635,452)</u>	<u>311,805</u>
Cash generated from operations	<u>171,307</u>	<u>1,045,858</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 31st December 2020

	31.12.20 £	1.9.19 £
Cash and cash equivalents	<u>801,120</u>	<u>477,877</u>
Year ended 31st August 2019		
	31.8.19 £	1.9.18 £
Cash and cash equivalents	<u>477,877</u>	<u>484,777</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.9.19 £	Cash flow £	At 31.12.20 £
Net cash			
Cash at bank and in hand	<u>477,877</u>	<u>323,243</u>	<u>801,120</u>
	<u>477,877</u>	<u>323,243</u>	<u>801,120</u>
Debt			
Finance leases	(406,174)	(287,160)	(693,334)
Debts falling due within 1 year	(233,320)	93,500	(139,820)
Debts falling due after 1 year	(623,360)	(6,010)	(629,370)
	<u>(1,262,854)</u>	<u>(199,670)</u>	<u>(1,462,524)</u>
Total	<u>(784,977)</u>	<u>123,573</u>	<u>(661,404)</u>

**Notes to the Consolidated Financial Statements
for the period 1st September 2019 to 31st December 2020**

1. STATUTORY INFORMATION

Hallmark Group Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2019, is being amortised evenly over its estimated useful life of five years.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Development costs are being amortised evenly over their estimated useful life of nil years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Long leasehold	- 10% on cost
Plant and machinery	- 20% on cost, 6.67% on cost, 5% - 15% on cost and 10% - 20% straight line
Fixtures and fittings	- between 3 and 10 years
Motor vehicles	- 25% on cost and between 3 and 10 years

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.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

3. EMPLOYEES AND DIRECTORS

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Wages and salaries	2,723,856	2,741,684
Social security costs	536,181	331,286
Other pension costs	139,121	139,193
	<u>3,399,158</u>	<u>3,212,163</u>

The average number of employees during the period was as follows:

	Period 1.9.19 to 31.12.20	Year ended 31.8.19
Office and management	23	17
Production	71	88
	<u>94</u>	<u>105</u>

The average number of employees by undertakings that were proportionately consolidated during the period was 94 (2019 - 105).

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Directors' remuneration	168,026	209,422
Directors' pension contributions to money purchase schemes	<u>3,215</u>	<u>-</u>

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Hire of plant and machinery	16,650	23,258
Other operating leases	-	56,595
Depreciation - owned assets	366,418	515,723
Loss on disposal of fixed assets	14,743	5,595
Goodwill amortisation	5,841	4,381
Auditors' remuneration	10,040	12,700
Foreign exchange differences	1,422	-
Government grants	<u>(86,744)</u>	<u>(29,671)</u>

5. EXCEPTIONAL ITEMS

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Loss on sale of asset	<u>(610,605)</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Bank interest	1,120	-
Bank loan interest	-	17,176
Invoice finance interest	18,096	26,288
Hire purchase	28,889	17,190
Other interest	-	9,162
	<u>48,105</u>	<u>69,816</u>

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the period was as follows:

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Current tax:		
UK corporation tax	-	(42,560)
Deferred tax	122,707	72,407
Tax on profit	<u>122,707</u>	<u>29,847</u>

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

7. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Profit before tax	<u>397,914</u>	<u>314,033</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	75,604	59,666
Effects of:		
Expenses not deductible for tax purposes	(1,537)	1,746
Capital allowances in excess of depreciation	-	(78,004)
Depreciation in excess of capital allowances	14,406	-
Utilisation of tax losses	(14,226)	(184)
Unutilized tax losses carried forward	1,566	14,226
Deferred tax adjustments in respect of previous years	122,707	72,407
Research and development tax credit	(46,883)	(18,313)
Capital reserve on consolidation released (negative goodwill)	(30,040)	(22,529)
Amortisation of goodwill	1,110	832
Total tax charge	<u>122,707</u>	<u>29,847</u>

8. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

9. DIVIDENDS

	Period 1.9.19 to 31.12.20 £	Year ended 31.8.19 £
Class A Shares shares of 1 each Interim	300,000	81,000
Class B1 Shares shares of 1 each Interim	22,685	-
Class B2 Shares shares of 1 each Interim	22,685	-
	<u>345,370</u>	<u>81,000</u>

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Development costs £	Totals £
COST			
At 1st September 2019	21,903	-	21,903
Additions	-	45,594	45,594
At 31st December 2020	21,903	45,594	67,497
AMORTISATION			
At 1st September 2019	4,381	-	4,381
Amortisation for period	5,841	-	5,841
At 31st December 2020	10,222	-	10,222
NET BOOK VALUE			
At 31st December 2020	11,681	45,594	57,275
At 31st August 2019	17,522	-	17,522

11. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Short leasehold £	Long leasehold £
COST			
At 1st September 2019	1,650,000	77,288	4,285
Additions	6,439	13,458	-
Disposals	(1,656,439)	-	-
At 31st December 2020	-	90,746	4,285
DEPRECIATION			
At 1st September 2019	22,000	3,989	468
Charge for period	23,833	11,099	624
Eliminated on disposal	(45,833)	-	-
At 31st December 2020	-	15,088	1,092
NET BOOK VALUE			
At 31st December 2020	-	75,658	3,193
At 31st August 2019	1,628,000	73,299	3,817

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

11. TANGIBLE FIXED ASSETS - continued

Group

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1st September 2019	2,638,019	851,434	121,702	5,342,728
Additions	469,842	33,316	399,498	922,553
Disposals	(11,500)	(30,000)	(14,000)	(1,711,939)
At 31st December 2020	<u>3,096,361</u>	<u>854,750</u>	<u>507,200</u>	<u>4,553,342</u>
DEPRECIATION				
At 1st September 2019	1,185,136	507,303	50,995	1,769,891
Charge for period	226,208	52,006	52,648	366,418
Eliminated on disposal	(5,624)	(7,512)	(4,380)	(63,349)
At 31st December 2020	<u>1,405,720</u>	<u>551,797</u>	<u>99,263</u>	<u>2,072,960</u>
NET BOOK VALUE				
At 31st December 2020	<u>1,690,641</u>	<u>302,953</u>	<u>407,937</u>	<u>2,480,382</u>
At 31st August 2019	<u>1,452,883</u>	<u>344,131</u>	<u>70,707</u>	<u>3,572,837</u>

12. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1st September 2019 and 31st December 2020	<u>2,065,301</u>
NET BOOK VALUE	
At 31st December 2020	<u>2,065,301</u>
At 31st August 2019	<u>2,065,301</u>

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital at 31 December 2020 are as follows:-

Name of company	Country of registration and operation	Nature of business	Proportion of voting rights and shares held
Fortrace Limited	England	Dormant	100%
Hallmark Doors Limited	England	Dormant	100%
Hallmark Group Products Limited	England	Holding company	100%
Hallmark Panels Limited	England	Manufacturing	100%
Laminated Supplies Limited	England	Manufacturing	100%
Toughened Glass Solutions Limited	England	Dormant	100%
Valletta Surplus Limited	England	Sale of surplus goods	100%

All of the above companies comprise subsidiary undertakings, which are fully consolidated within the group financial statements.

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

13. STOCKS

	Group	
	2020	2019
	£	£
Stocks	<u>1,312,837</u>	<u>973,962</u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	1,258,218	1,229,059	-	-
Other debtors	854	-	200	-
Directors' current accounts	93,154	49,842	-	-
Tax	13,155	42,560	-	-
VAT	58,438	343,623	-	-
Prepayments and accrued income	57,499	42,149	-	-
Payments on account	65,876	-	-	-
	<u>1,547,194</u>	<u>1,707,233</u>	<u>200</u>	<u>-</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans and overdrafts (see note 17)	137,320	113,320	-	-
Other loans (see note 17)	2,500	120,000	2,500	120,000
Hire purchase contracts (see note 18)	230,737	134,560	-	-
Trade creditors	1,769,924	1,215,484	-	-
Amounts owed to group undertakings	-	-	1,058,519	844,213
Tax	2,908	-	-	-
Social security and other taxes	576,872	588,334	-	-
Other creditors	186,396	75,844	-	-
Accruals and deferred income	58,813	70,020	-	-
Deferred government grants	32,735	27,572	-	-
Payments on account	-	1,282,938	-	-
	<u>2,998,205</u>	<u>3,628,072</u>	<u>1,061,019</u>	<u>964,213</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans (see note 17)	629,370	573,360	-	-
Other loans (see note 17)	-	50,000	-	50,000
Hire purchase contracts (see note 18)	462,597	271,614	-	-
Deferred government grants	15,181	27,571	-	-
	<u>1,107,148</u>	<u>922,545</u>	<u>-</u>	<u>50,000</u>

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

17. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	137,320	113,320	-	-
Other loans	2,500	120,000	2,500	120,000
	<u>139,820</u>	<u>233,320</u>	<u>2,500</u>	<u>120,000</u>
Amounts falling due between one and two years:				
Other loans - 1-2 years	-	50,000	-	50,000
Amounts falling due between two and five years:				
Bank loans - 2-5 years	585,370	353,360	-	-
Amounts falling due in more than five years:				
Repayable by instalments				
Bank loans more 5 yr by instal	<u>44,000</u>	<u>220,000</u>	<u>-</u>	<u>-</u>

18. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

Net obligations repayable:
Within one year
Between one and five years

Hire purchase contracts

2020	2019
£	£
230,737	134,560
462,597	271,614
<u>693,334</u>	<u>406,174</u>

19. PROVISIONS FOR LIABILITIES

Deferred tax

Group

Balance at 1st September 2019
Provided during period
Balance at 31st December 2020

Group	
2020	2019
£	£
<u>401,550</u>	<u>278,843</u>
	Deferred tax
	£
	278,843
	122,707
	<u>401,550</u>

Notes to the Consolidated Financial Statements - continued
for the period 1st September 2019 to 31st December 2020

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
1,000,000	Class A Shares	1	1,000,000	1,000,000
100	Class B1 Shares	1	100	-
100	Class B2 Shares	1	100	-
			<u>1,000,200</u>	<u>1,000,000</u>

The following shares were allotted and fully paid for cash at par during the period:

100 Class B1 Shares shares of 1 each

100 Class B2 Shares shares of 1 each

A resolution during the year reclassified the entire class of 1,000,000 Ordinary shares of £1 each, as Class A Ordinary shares of £1 each. There were no changes to the voting rights associated with these shareholdings.

21. RESERVES

Group

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1st September 2019	502,816	180,000	237,155	919,971
Profit for the period	275,207	-	-	275,207
Dividends	(345,370)	-	-	(345,370)
Transfers	180,000	(180,000)	-	-
Transfers	-	-	(158,103)	(158,103)
At 31st December 2020	<u>612,653</u>	<u>-</u>	<u>79,052</u>	<u>691,705</u>

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