

Harvey Jones Manufacturing Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 02870299

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Harvey Jones Manufacturing Limited

Company Information

Directors	J W Curwen A M Kretzschmar D Woolsgrove
Company secretary	D Woolsgrove
Registered number	02870299
Registered office	5th Floor Corinthian House Lansdowne Road Croydon CR0 2BX
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

Harvey Jones Manufacturing Limited

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Harvey Jones Manufacturing Limited

Strategic report for the Year Ended 31 December 2020

Introduction

Harvey Jones Manufacturing Limited is a manufacturer of premium, hand made kitchen furniture. The company, as part of a group of companies under the Harvey Jones brand, sells kitchen furniture to its sister company Harvey Jones Limited which is sold to the customer through a chain of retail outlets.

Review of activities

In 2020, the business, the environment it operates in and the wider economy was heavily impacted by the Coronavirus pandemic (COVID-19). The spread of the virus has caused business disruption, largely from March 2020 when the government announced a lockdown for the majority of non-essential businesses. This resulted in the business closing the manufacturing sites and showrooms from late March 2020. The company took the opportunity to combine the workshops to a single location and, as a result, the Worcester workshop did not reopen and production was combined into Wisbech when it reopened in April 2020. The showrooms reopened in June 2020, but various restrictions remained in place including closures required under the Tier system until the end of the year. During these lockdown periods the Company remained 'open for business' and we continued to provide a service to both our existing client base and also to potential new ones via 'virtual selling' tactics developed. In this period, risk assessments were conducted; measures and controls were introduced to facilitate social distancing to enable all areas of the business to operate safely while complying with best practice and legislation.

As a result, 2020 was a difficult year for the company and this affected the financial performance of the business. The company delivered an operating loss of £0.13 million on sales of £4 million compared to £0.16 million profit on sales of £5 million in the previous year.

Based on the actions taken in 2020, and a strong orderbook, we anticipate improving performance and the company is expected to increase its profitability in 2021.

Principal risks and uncertainties

COVID-19

The pandemic significantly impacted Harvey Jones in 2020 and until the virus is brought under control, it has the capacity to disrupt business again. Harvey Jones was required to close all of its showrooms for several weeks during the lockdown period but many of the staff worked from home and we continued to make sales during this period. Some of the staff were placed on furlough and all have now come back but unfortunately there were a small number of redundancies as the company refocused its resources.

We have followed the Government's stringent hygiene and social distancing mandate and we have also taken the following measures:

- Each of the Company's locations has carried out individual risk assessments using the guidance of our external Health & Safety consultants to ensure that our controls are tailored to the nuances of each specific site.
- Each location is complying with social distancing requirements and retail sites are fully supporting the Government requirements regarding facial coverings for customers and staff.
- A number of members of staff continue to work remotely in both sales and support functions.
- A high proportion of meetings with customers have been held using video conferencing technology and guidance has been given to staff on measure to be taken for face to face meetings.
- Supplier and advisor meetings are largely being held by conference call or video conference.

Harvey Jones Manufacturing Limited

Strategic report (continued) for the Year Ended 31 December 2020

Impact on 2020 and 2021

The Company has produced both new sales and deliveries throughout 2020 although this was significantly impacted in April and May and both continue to be below previous levels. COVID-19 will continue to have an impact on both sales and deliveries for the remainder of this year owing to:

- a. Continued controls and restrictions in the operation of the showrooms
- b. Delays to customer projects
- c. Availability of sub-contract labour
- d. Availability of appliances from manufacturers

Advantage has been taken of the Government assistance available to partially offset overhead cost from April to present. The Directors took the decision to utilise the furlough scheme, in particular, to ensure that pressure on cash resources was minimised.

During the initial stages of the pandemic the Board and the senior management met on a daily basis to manage events, this has later reduced to a weekly basis as the situation has become more stable in the UK. Monthly management accounts are being produced alongside detailed cash flow projections and thorough reviews of the company forecasts continue to take place. The forecasts have been regularly revised as more is understood about the economic effect of the pandemic. Various scenarios have been modelled on the potential impact of COVID-19, including the impact of worst-case scenarios.

The company has managed its working capital closely working with all landlords and suppliers whilst cash collection in advance of deliveries has remained strong. As a result, an increase to the cash balance has been achieved. An additional borrowing facility was also put in place in order to give the company access to a further pool of liquidity, if required. Cash levels within the group were at circa £4.9m, including the new loan facility, at the end of December 2020 and are considered sufficient to maintain activity for the foreseeable future (being at least 12 months from the date of signing the financial statements). This level of cash is considered enough to meet the worst-case stress test scenarios, whereby the revised cash flow accounts for a drop in turnover for 2021, being below that achieved in 2019. In this scenario, turnover does not return to previous levels at any point and the forecasts take account of a number of costs saving actions already taken and planned if required to deal with the impact of COVID-19.

The Directors will continue to closely monitor all aspects of the Company's operations to mitigate the impacts of the COVID-19 pandemic. Harvey Jones has continuously developed and implemented strategic and operational plans to strengthen the company's resilience to COVID-19 with focus on maximising sales opportunity, revenue protection and cost control. With the resources available, and the support provided through the CBILS scheme, the directors are of the opinion that the company has the resource and experience available to mitigate any future risks associated with COVID-19.

Going forward into 2021 and beyond the expectation is that life will return to normal at some stage of the year. The experience of the first lockdown showed that customer demand for home improvements remained strong throughout the lockdown period as people spent more time at home and demand remained strong for the company's products and services in most areas.

Economic risk post Brexit

The Directors have identified that, in the wake of Brexit, the uncertainty surrounding the UK's future trading relationship could adversely impact customer confidence. In the medium term the potential for import tariffs and a choked labour supply coupled with Government proposals for significant capital investment could result in inflationary pressure. This has the potential to increase uncertainty. Economic risks have been identified and are reviewed regularly and included in the annual budget and ongoing forecasts. Due to our financial strength and robust commercial controls we are confident that the outcome of the post Brexit trading negotiations does not pose a long-term risk to the company.

Harvey Jones Manufacturing Limited

Strategic report (continued) for the Year Ended 31 December 2020

Principal risks and uncertainties (continued)

Competitive risk

Whilst the Company aims to continually develop its product and ranges, it operates in a competitive market and technical or product innovation from our competition may have a negative impact on the company's trading outlook.

Environmental risks

The Company places considerable importance upon environmental compliance in each of its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to incorporate environmental best practice into its key processes.

Suppliers' prices

These are continually reviewed by purchasing managers.

Major disruption/disaster

All major insurable risks are insured.

The effect of legislation or other regulatory activities

The Company monitors forthcoming and current legislation regularly.

All appropriate measures are taken to protect the Company's intellectual property rights and to minimise the risk of infringements of third party rights.

New product, project and technology risk

The Company develops new technologies and introduces new products from time to time. All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk and potentially customer claims or onerous contracts. Such risks may materially impact the Company.

Financial key performance indicators

The directors regularly review and analyse an extensive array of key performance indicators for an assessment and measure of the company's performance and financial position. These include revenues, gross profit, operating profit and cash flows and the information for these key performance indicators are included in the accompanying financial statements.

During the year, the company has seen revenue decrease by 20%. This has been a result of a decrease in the number of deliveries partially offset by an increase in average delivery value.

Future prospects

We believe that the actions that have been taken to deal with the COVID-19 pandemic and to resolve the operational issues the Company faced will place the business in a good position for the future. The actions taken and risks faced by the Company have been discussed within the COVID-19 section under 'Principal risks and uncertainties'.

Harvey Jones Manufacturing Limited

Strategic report (continued)
for the Year Ended 31 December 2020

Directors' statement of compliance with duty for the success of the Company

Meaningful engagement with our stakeholders supports the ethos of Section 172 of the Companies Act 2006 which sets out that Directors should have regard to stakeholder interests when discharging their duty to promote the success of the company. As a Board our aim is always to uphold the highest standards of conduct, which requires careful consideration at all levels of the company to the interests of the people who rely on it. Similarly, we understand that our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, our colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable.

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



J W Curwen
Director

Date: 1st June 2021

Harvey Jones Manufacturing Limited

Directors' report for the Year Ended 31 December 2020

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

Directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

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

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

Results and dividends

The loss for the year, after taxation, amounted to £140,870 (2019 - profit £131,919).

The directors do not recommend the payment of a final dividend (2019 - £Nil).

Directors

The directors who served during the year were:

J W Curwen
A M Kretzschmar
D Woolsgrove

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 - 4. These matters relate to the principal risks to which the company is exposed and future developments.

Harvey Jones Manufacturing Limited

Directors' report (continued) for the Year Ended 31 December 2020

Disclosure of information to auditors

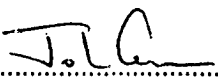
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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

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


.....
J W Curwen
Director

Date: 1st June 2021

Harvey Jones Manufacturing Limited

Independent auditors' report to the members of Harvey Jones Manufacturing Limited

Opinion on the financial statements

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 loss 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.

We have audited the financial statements of Harvey Jones Manufacturing Limited ("the company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

Harvey Jones Manufacturing Limited

Independent auditors' report to the members of Harvey Jones Manufacturing Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

Other Companies Act 2006 reporting

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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 director's 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.

Harvey Jones Manufacturing Limited

Independent auditors' report to the members of Harvey Jones Manufacturing Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

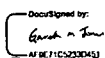
- We obtained an understanding of the procedures and controls that the company has established to address risks identified or that otherwise prevent, deter and detect fraud. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of group management, review of Board minutes and reviews of relevant correspondence.
- We tested journal entries, focusing on journal entries containing characteristics of audit interest such as manual journals and journals relating to revenue.
- We tested and challenged the key estimates and judgements made by management in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the Company.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

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.

Designed by:


Gareth M Jones (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 03 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Harvey Jones Manufacturing Limited

Statement of comprehensive income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	3,979,046	4,976,881
Cost of sales		(2,127,211)	(2,601,308)
Gross profit		1,851,835	2,375,573
Distribution costs		(366,297)	(486,221)
Administrative expenses		(1,795,928)	(1,726,581)
Other operating income	5	175,692	-
Operating (loss)/profit	6	(134,698)	162,771
Interest receivable and similar income	10	-	8
(Loss)/profit before tax		(134,698)	162,779
Tax on (loss)/profit	11	(6,172)	(30,860)
(Loss)/profit for the financial year		(140,870)	131,919
Total comprehensive (loss)/income for the financial year		(140,870)	131,919

All amounts relate to continuing operations.

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 13 to 24 form part of these financial statements.

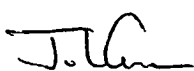
Harvey Jones Manufacturing Limited

Registered number: 02870299

Statement of financial position as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	50,974	20,191
Current assets			
Stocks	13	518,074	568,767
Debtors	14	4,848,120	3,040,006
Cash at bank and in hand		40,375	97,145
		<u>5,406,569</u>	<u>3,705,918</u>
Creditors: amounts falling due within one year	15	(3,111,331)	(1,241,670)
Net current assets		2,295,238	2,464,248
Deferred tax	16	(2,643)	-
Net assets		<u>2,343,569</u>	<u>2,484,439</u>
Capital and reserves			
Share capital	17	2	2
Retained earnings	18	2,343,567	2,484,437
		<u>2,343,569</u>	<u>2,484,439</u>

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


.....
J W Curwen
Director

Date: 1st June 2021

The notes on pages 13 to 24 form part of these financial statements.

Harvey Jones Manufacturing Limited

Statement of changes in equity for the Year Ended 31 December 2020

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2020	2	2,484,437	2,484,439
Comprehensive loss for the year			
Loss for the year	-	(140,870)	(140,870)
At 31 December 2020	2	2,343,567	2,343,569

Statement of changes in equity for the Year Ended 31 December 2019

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2019	2	2,352,518	2,352,520
Comprehensive income for the year			
Profit for the year	-	131,919	131,919
At 31 December 2019	2	2,484,437	2,484,439

The notes on pages 13 to 24 form part of these financial statements.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

1. General information

Harvey Jones Manufacturing Limited is a private limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Harvey Jones Holdings Limited as at 31 December 2020 and these financial statements may be obtained from The Registrar of Companies, Crown Way, Cardiff.

2.3 Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to its fellow group company, Harvey Jones Limited. Turnover is recognised when the risks and rewards of owning the goods have passed to the customer which is generally on delivery.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.4 Going concern

The Board of Directors has undertaken a thorough review of the company forecasts and has produced detailed cash flow projections. Various scenarios have been modelled on the potential impact of COVID-19, including the impact of worst-case scenarios.

The group has available cash resources, as at 31 December 2020, of circa £4.9m including the loan facility of £1.4m.

This level of cash is considered enough to meet the worst-case stress test scenarios, whereby the revised cash flow accounts for a significant drop in turnover for 2021, being below that achieved in 2019. In this scenario, turnover does not return to previous levels at any point in the coming year and the forecasts take account of a number of cost saving actions already taken and planned if required to deal with the impact of COVID-19.

Going forward into 2021 and beyond the expectation is that life will return to normal at some stage of the year. The experience after the first lockdown was that customer demand for home improvements returned and that demand remained strong for the company's products and services in most areas.

The Directors have also identified that, in the wake of Brexit, the uncertainty surrounding the UK's future trading relationship could adversely impact customer confidence. Economic risks have been identified and are reviewed regularly and included in the annual budget and ongoing forecasts.

The Directors consider that the aforementioned strategic and operational plans are reasonable and adequate to allow the company to generate sufficient working capital and cash flows to continue in operational existence during the foreseeable future (being at least 12 months from the date of signing the financial statements). Whilst these assumptions have been incorporated into the cash projections, the Directors are optimistic that the impact on the company will not be as severe as this, based on external indicators. The Directors are confident that the business is very much a going concern.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Property improvements	- 25%
Plant and machinery	- 25-50%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 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.

2.9 Financial instruments

The company only enters into basic financial instrument 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 ordinary shares.

2.10 Creditors

Short term creditors are measured at the transaction price.

2.11 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.13 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

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

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating leases, or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 12)
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

The whole of the turnover is attributable to the manufacture and sale of premium, hand made kitchen furniture.

All turnover arose within the United Kingdom and relates to sales made to its fellow group company.

5. Other operating income

	2020 £	2019 £
Government grant income	175,692	-

The income relates to the company's utilisation of the Government Coronavirus Job Retention Scheme during the year.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

6. Operating (loss)/profit

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

	2020	2019
	£	£
Depreciation of tangible fixed assets	18,869	19,761
Operating leases - other assets	224,527	220,333
Defined contribution pension cost	33,857	37,611
	<u>267,253</u>	<u>377,705</u>

7. Auditors' remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	12,500	12,000
	<u>12,500</u>	<u>12,000</u>

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

8. Employees

	2020	2019
	£	£
Wages and salaries	1,475,795	1,601,845
Social security costs	54,138	66,575
Cost of defined contribution scheme	33,857	37,611
	<u>1,563,790</u>	<u>1,706,031</u>

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

	2020	2019
	No.	No.
Administration	12	13
Production	32	36
	<u>44</u>	<u>49</u>

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	182,390	279,132
Company contributions to defined contribution pension schemes	7,117	4,300
	<u>189,507</u>	<u>283,432</u>

The highest paid director received remuneration of £89,731 (2019 - £86,000).

In the current financial year the directors remuneration for time spent working on Harvey Jones Manufacturing has been attributed to the costs for the company.

10. Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	-	8
	<u>-</u>	<u>8</u>

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	-	32,186
Adjustments in respect of prior periods	(113)	-
Total current tax	<u>(113)</u>	<u>32,186</u>
Deferred tax		
Origination and reversal of timing differences	6,714	(1,326)
Effect of tax rate change on opening balance	(429)	-
Total deferred tax	<u>6,285</u>	<u>(1,326)</u>
Taxation on (loss)/profit on ordinary activities	<u>6,172</u>	<u>30,860</u>

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	<u>(134,698)</u>	<u>162,779</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	<u>(25,593)</u>	<u>30,928</u>
Effects of:		
Expenses not deductible for tax purposes	140	89
Group relief claimed	32,166	(475)
Adjustments to tax charge in respect of prior periods	(113)	162
Remeasurement of deferred tax for changes in tax rates	(428)	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	156
Total tax charge for the year	<u>6,172</u>	<u>30,860</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

12. Tangible fixed assets

	Property Improvement £	Plant and machinery £	Total £
Cost			
At 1 January 2020	270,298	73,258	343,556
Additions	30,095	19,557	49,652
At 31 December 2020	<u>300,393</u>	<u>92,815</u>	<u>393,208</u>
Depreciation			
At 1 January 2020	269,286	54,079	323,365
Charge for the year	6,305	12,564	18,869
At 31 December 2020	<u>275,591</u>	<u>66,643</u>	<u>342,234</u>
Net book value			
At 31 December 2020	<u>24,802</u>	<u>26,172</u>	<u>50,974</u>
At 31 December 2019	<u>1,012</u>	<u>19,179</u>	<u>20,191</u>

13. Stocks

	2020 £	2019 £
Raw materials and consumables	232,782	244,217
Work in progress	24,875	31,914
Finished goods and goods for resale	260,417	292,636
	<u>518,074</u>	<u>568,767</u>

There is no material difference between the replacement costs of stock and the amounts stated above.

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

14. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	4,808,964	2,988,754
Prepayments and accrued income	39,043	45,531
Corporation tax recoverable	113	2,079
Deferred taxation	-	3,642
	<u>4,848,120</u>	<u>3,040,006</u>

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

15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	417,681	285,475
Amounts owed to group undertakings	2,373,759	682,559
Corporation tax	30,107	32,186
Other taxation and social security	228,560	188,318
Other creditors	23,038	4,742
Accruals and deferred income	38,186	48,390
	<u>3,111,331</u>	<u>1,241,670</u>

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

16. Deferred taxation

	2020 £	2019 £
Asset at beginning of year	3,642	2,316
Credited to the profit or loss	(6,285)	1,326
Asset at end of year	<u>(2,643)</u>	<u>3,642</u>

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

16. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Short term timing differences	995	806
Fixed asset timing differences	(3,638)	2,836
	<u>(2,643)</u>	<u>3,642</u>

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

18. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged represents contributions payable by the company to the fund and amounted to £33,857 (2019 - £37,611). Contributions payable to the fund at the year end and included in other creditors totalled £11,520 (2019 - £4,743).

20. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	150,000	204,338
Later than 1 year and not later than 5 years	45,833	193,333
	<u>195,833</u>	<u>397,671</u>

Harvey Jones Manufacturing Limited

Notes to the financial statements for the Year Ended 31 December 2020

21. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that the subsidiaries party to the transactions are wholly owned members of the group.

22. Controlling party

The immediate and ultimate parent company of Harvey Jones Manufacturing Limited is Harvey Jones Holdings Limited, a company incorporated in England and Wales.

In the opinion of the directors, there is no one ultimate controlling party.

Harvey Jones Holdings Limited prepares group financial statements and copies can be obtained from the Registrar of Companies House, Crown Way, Cardiff.