

COMPANY REGISTRATION NUMBER: 04262056

MICHAEL JEFFERY LIMITED
FINANCIAL STATEMENTS
31 December 2020

MICHAEL JEFFERY LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2020

CONTENTS

	PAGE
Officers and professional advisers	1
Strategic report	2
Director's report	3
Independent auditor's report to the members	5
Consolidated profit and loss account	9
Company statement of income and retained earnings	10
Consolidated balance sheet	11
Balance sheet	12
Consolidated cash flow statement	13
Notes to the financial statements	14

MICHAEL JEFFERY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Director	Mr M F Jeffery
Company secretary	Ms D M Jeffrey
Registered office	Ponthir Road Service Station Ponthir Road Caerleon Newport NP18 3XL
Auditor	Kilsby & Williams LLP Chartered Accountants & statutory auditor Cedar House Hazell Drive Newport NP10 8FY

MICHAEL JEFFERY LIMITED

STRATEGIC REPORT

Year ended 31 December 2020

The results for the year and financial position at the year end are considered satisfactory by the director. Principal Activity The company operates out of its premises in Ponthir and Abergavenny in South Wales and Hereford in the West of England. Selling new and used cars and providing repairs and servicing. Review of business The directors believe the key business indicators in this market are turnover, gross margin and profit before tax. The performance of the company was as follows:

	2020	2019
Turnover (£'000)	21,381	26,681
Gross Profit (%)	5.7	7.6
Profit before taxation (£'000)	562	185

The company has been impacted by COVID-19 pandemic during the current year. Forced closure of the showrooms and restrictions to the general public have resulted in a downturn in turnover compared to the prior year. Despite turnover decreasing by 20% compared with the prior year, gross profit margin dropping by 1.9%, profit before tax has increased by £377,547. Despite the challenging economic conditions over the past few years, the company has managed to maintain its strong position in the market place. The directors are cautiously optimistic that, provided the UK economy continues to improve, profits will be higher next year.

Principal risks and uncertainties

The company is reliant on the car market and therefore any change to the level of activity is likely to affect results. Ongoing restrictions to operations imposed as a result of the COVID-19 pandemic continue to hinder trading. The company has been able to continue to trade through offering essential services to the public and by implementing contact free selling. There are a number of risks that could harm the profitability of the business. The director actively manages the company on a day to day basis and takes active measures to ensure these risks are understood and minimised. In the opinion of the director, there are no issues with going concern.

This report was approved by the board of directors on 30 September 2021 and signed on behalf of the board by:

Mr M F Jeffery

Director

MICHAEL JEFFERY LIMITED

DIRECTOR'S REPORT

Year ended 31 December 2020

The director presents his report and the financial statements of the group for the year ended 31 December 2020 .

Director

The director who served the company during the year was as follows:

Mr M F Jeffery

Dividends

Particulars of recommended dividends are detailed in note 9 to the financial statements.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 23 to the financial statements.

Director's responsibilities statement

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations. Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period. In preparing these financial statements, the director is required to: - select suitable accounting policies and then apply them consistently; - make judgments 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 director is 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. He is 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.

Auditor

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

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

This report was approved by the board of directors on 30 September 2021 and signed on behalf of the board by:

Mr M F Jeffery

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICHAEL JEFFERY LIMITED

Year ended 31 December 2020

Opinion

We have audited the financial statements of Michael Jeffery Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated profit and loss account, company statement of income and retained earnings, consolidated balance sheet, balance sheet, consolidated cash flow statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements: - give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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

In auditing the financial statements, we have concluded that the director's 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 group's or the parent 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 director 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 director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

The prior year comparative figures have not been audited.

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 strategic report or the 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 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 director's 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal counsel. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. 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.

Simon Tee

(Senior Statutory Auditor)

For and on behalf of

Kilsby & Williams LLP

Chartered Accountants & statutory auditor

Cedar House

Hazell Drive

Newport

NP10 8FY

30 September 2021

MICHAEL JEFFERY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2020

		2020	2019
	Note	£	£
TURNOVER	4	21,380,671	26,681,566
Cost of sales		(20,159,124)	(24,663,442)
		-----	-----
GROSS PROFIT		1,221,547	2,018,124
Administrative expenses		(1,409,540)	(1,803,239)
Other operating income		767,287	—
		-----	-----
OPERATING PROFIT	5	579,294	214,885
Interest payable and similar expenses		(17,021)	(30,069)
		-----	-----
PROFIT BEFORE TAXATION		562,273	184,816
Tax on profit	8	(166,046)	(51,837)
		-----	-----
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		396,227	132,979
		-----	-----
Dividends paid and payable	9	(202,000)	(145,000)
RETAINED EARNINGS AT THE START OF THE YEAR		998,951	1,010,972
		-----	-----
RETAINED EARNINGS AT THE END OF THE YEAR		1,193,178	998,951
		-----	-----

All the activities of the group are from continuing operations.

MICHAEL JEFFERY LIMITED

COMPANY STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended 31 December 2020

		2020	2019
	Note	£	£
Profit for the financial year and total comprehensive income		390,599	127,260
Dividends paid and payable	9	(202,000)	(145,000)
RETAINED EARNINGS AT THE START OF THE YEAR		1,049,517	1,067,257
		-----	-----
RETAINED EARNINGS AT THE END OF THE YEAR		1,238,116	1,049,517
		-----	-----

MICHAEL JEFFERY LIMITED
CONSOLIDATED BALANCE SHEET
31 December 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Intangible assets	10	80,391	89,665
Tangible assets	11	667,008	761,904
		-----	-----
		747,399	851,569
CURRENT ASSETS			
Stocks	13	2,687,186	2,563,423
Debtors	14	309,993	1,029,603
Cash at bank and in hand		5,067	12,675
		-----	-----
		3,002,246	3,605,701
CREDITORS: amounts falling due within one year	16	(2,484,610)	(3,379,349)
		-----	-----
NET CURRENT ASSETS		517,636	226,352
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,265,035	1,077,921
PROVISIONS	17	(61,857)	(68,970)
		-----	-----
NET ASSETS		1,203,178	1,008,951
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	20	10,000	10,000
Profit and loss account		1,193,178	998,951
		-----	-----
SHAREHOLDERS FUNDS		1,203,178	1,008,951
		-----	-----

These financial statements were approved by the board of directors and authorised for issue on 30 September 2021 , and are signed on behalf of the board by:

Mr M F Jeffery

Director

Company registration number: 04262056

MICHAEL JEFFERY LIMITED

BALANCE SHEET

31 December 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Intangible assets	10	125,329	140,232
Tangible assets	11	667,008	761,904
		-----	-----
		792,337	902,136
CURRENT ASSETS			
Stocks	13	2,687,186	2,563,423
Debtors	14	309,993	1,029,603
Cash at bank and in hand		5,067	12,675
		-----	-----
		3,002,246	3,605,701
CREDITORS: amounts falling due within one year	16	(2,484,610)	(3,379,350)
		-----	-----
NET CURRENT ASSETS		517,636	226,351
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,309,973	1,128,487
PROVISIONS	17	(61,857)	(68,970)
		-----	-----
NET ASSETS		1,248,116	1,059,517
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	20	10,000	10,000
Profit and loss account		1,238,116	1,049,517
		-----	-----
SHAREHOLDERS FUNDS		1,248,116	1,059,517
		-----	-----

The profit for the financial year of the parent company was £ 390,599 (2019: £ 127,260).

These financial statements were approved by the board of directors and authorised for issue on 30 September 2021 , and are signed on behalf of the board by:

Mr M F Jeffery

Director

Company registration number: 04262056

MICHAEL JEFFERY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2020

	Note	2020 £	2019 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		396,227	132,979
<i>Adjustments for:</i>			
Depreciation of tangible assets		165,047	152,338
Amortisation of intangible assets		9,274	9,160
Government grant income		(767,287)	—
Interest payable and similar expenses		17,021	30,069
Gains on disposal of tangible assets		(24,539)	(12,753)
Tax on profit		166,046	51,837
Accrued income		(111,597)	(118,801)
<i>Changes in:</i>			
Stocks		(123,763)	129,197
Trade and other debtors		719,610	497,623
Trade and other creditors		(668,498)	(877,141)
Cash generated from operations		(222,459)	(5,492)
Interest paid		(17,021)	(30,069)
Tax paid		(26,001)	(26,597)
Net cash used in operating activities		(265,481)	(62,158)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets		(105,781)	(179,867)
Proceeds from sale of tangible assets		60,170	15,107
Net cash used in investing activities		(45,611)	(164,760)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans from group undertakings		308,515	—
Government grant income		767,287	—
Dividends paid		(202,000)	(145,000)
Net cash from/(used in) financing activities		873,802	(145,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		562,710	(371,918)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(1,124,109)	(752,191)
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	(561,399)	(1,124,109)

MICHAEL JEFFERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1. GENERAL INFORMATION

The company is a private company limited by shares, registered in England & Wales. The address of the registered office is Ponthir Road Service Station, Ponthir Road, Caerleon, Newport, NP18 3XL.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparation

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

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

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Michael Jeffery Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: Provisions Provisions are included against stock value. These provisions require management's best estimate based on historical experience and current knowledge of the trading difficulties of customers. Useful economic life of tangible fixed assets The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Turnover

The turnover shown in the profit and loss account is derived from ordinary activities and represents amounts chargeable in respect of the sale and repair of motor vehicles and the sale of vehicle parts in the financial year, exclusive of Value Added Tax.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business. Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

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

Goodwill - 5 - 10% straight line

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

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Freehold Property	-	5% straight line
Leasehold Property	-	10% straight line
Plant & Machinery	-	20% Straight Line
Fixtures & Fittings	-	33.33% Straight Line
Motor Vehicles	-	33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based upon selling price less anticipated costs to completion and selling costs.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model and the performance model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset. Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. TURNOVER

Turnover arises from:

	2020	2019
	£	£
Sale of goods	21,380,671	26,681,566
	-----	-----

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

5. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2020	2019
	£	£
Amortisation of intangible assets	9,274	9,160
Depreciation of tangible assets	165,046	154,761
Gains on disposal of tangible assets	(24,539)	(12,753)
	-----	-----

6. STAFF COSTS

The average number of persons employed by the group during the year, including the director, amounted to:

	2020	2019
	No.	No.
Production staff	68	58
Administrative staff	11	10
	---	---
	79	68
	----	----

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

	2020	2019
	£	£
Wages and salaries	1,817,805	1,767,699
	-----	-----

7. DIRECTOR'S REMUNERATION

The director's aggregate remuneration in respect of qualifying services was:

	2020	2019
	£	£
Remuneration	8,000	8,000
	-----	-----

8. TAX ON PROFIT

Major components of tax expense

	2020	2019
	£	£
Current tax:		
UK current tax expense	159,720	39,181
Adjustments in respect of prior periods	13,440	(4,985)
	-----	-----
Total current tax	173,160	34,196
	-----	-----
Deferred tax:		
Origination and reversal of timing differences	(7,114)	17,641
	-----	-----
Tax on profit	166,046	51,837
	-----	-----

Reconciliation of tax expense

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

	2020	2019
	£	£
Profit on ordinary activities before taxation	562,273	184,816
	-----	-----
Profit on ordinary activities by rate of tax	130,513	34,975
Adjustment to tax charge in respect of prior periods	13,440	5,399
Effect of expenses not deductible for tax purposes	4,323	3,029
Effect of capital allowances and depreciation	10,197	6,408
Effect of different UK tax rates on some earnings	7,573	2,026
	-----	-----
Tax on profit	166,046	51,837
	-----	-----

9. DIVIDENDS

	2020	2019
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	202,000	145,000
	-----	-----

10. INTANGIBLE ASSETS

Group	Goodwill
	£
Cost	
At 1 January 2020 and 31 December 2020	185,500

Amortisation	
At 1 January 2020	95,835
Charge for the year	9,274

At 31 December 2020	105,109

Carrying amount	
At 31 December 2020	80,391

At 31 December 2019	89,665

Company	Goodwill £
Cost	
At 1 January 2020 and 31 December 2020	241,786

Amortisation	
At 1 January 2020	101,554
Charge for the year	14,903

At 31 December 2020	116,457

Carrying amount	
At 31 December 2020	125,329

At 31 December 2019	140,232

11. TANGIBLE ASSETS

Group and company	Long leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2020	1,048,381	446,629	62,512	62,947	1,620,469
Additions	55,962	23,041	—	26,778	105,781
Disposals	(99,891)	—	—	(36,292)	(136,183)
	-----	-----	-----	-----	-----
At 31 December 2020	1,004,452	469,670	62,512	53,433	1,590,067
	-----	-----	-----	-----	-----
Depreciation					
At 1 January 2020	441,835	345,561	39,425	31,744	858,565
Charge for the year	92,774	41,409	11,541	19,322	165,046
Disposals	(73,253)	—	—	(27,299)	(100,552)
	-----	-----	-----	-----	-----
At 31 December 2020	461,356	386,970	50,966	23,767	923,059
	-----	-----	-----	-----	-----
Carrying amount					
At 31 December 2020	543,096	82,700	11,546	29,666	667,008
	-----	-----	-----	-----	-----
At 31 December 2019	606,546	101,068	23,087	31,203	761,904
	-----	-----	-----	-----	-----

12. INVESTMENTS

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 January 2020 and 31 December 2020	260,058

Impairment	
At 1 January 2020 and 31 December 2020	260,058

Carrying amount	
At 1 January 2020 and 31 December 2020	—

At 31 December 2019	—

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Porch 2005 Limited	Ordinary	100

13. STOCKS

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Stock	2,687,186	2,584,031	2,687,186	2,584,031
Work in progress	—	(20,608)	—	(20,608)
	2,687,186	2,563,423	2,687,186	2,563,423

14. DEBTORS

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	72,810	454,461	72,810	454,461
Prepayments and accrued income	56,607	38,775	56,607	38,775
Director's loan account		201,510		201,510
Other debtors	180,576	334,857	180,576	334,857
	309,993	1,029,603	309,993	1,029,603

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2020	2019
	£	£
Cash at bank and in hand	5,067	12,675
Bank overdrafts	(566,466)	(1,136,784)
	(561,399)	(1,124,109)

16. CREDITORS: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans and overdrafts	566,466	1,136,784	566,466	1,136,784
Trade creditors	120,337	272,533	120,337	272,533
Amounts owed to group undertakings	—	—	—	1
Accruals and deferred income	104,168	153,265	104,168	153,265
Corporation tax	171,952	24,793	171,952	24,793
Social security and other taxes	124,366	223,490	124,366	223,490
Director loan accounts	308,515	—	308,515	—
Stocking loan	797,388	1,252,456	797,388	1,252,456
Other creditors	291,418	316,028	291,418	316,028
	2,484,610	3,379,349	2,484,610	3,379,350

The above includes secured creditors of £1,363,854 (2019 - £2,389,240). The trade loans are secured over the assets to which they relate. The bank overdraft is secured by a fixed and floating charge over all current and future assets of the company.

17. PROVISIONS

Group and company

	Deferred tax (note 18) £
At 1 January 2020	68,970
Charge against provision	(7,113)
At 31 December 2020	61,857

18. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Included in provisions (note 17)	61,857	68,970	61,857	68,970

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accelerated capital allowances	61,857	68,970	61,857	68,970

19. GOVERNMENT GRANTS

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Recognised in creditors:				
Deferred government grants due within one year	62,500	—	62,500	—
Recognised in other operating income:				
Government grants recognised directly in income	767,287	—	767,287	—

20. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
ordinary shares of £ 1 each	10,000	10,000	10,000	10,000

21. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2020	Cash flows	At 31 Dec 2020
	£	£	£
Cash at bank and in hand	12,675	(7,608)	5,067
Bank overdrafts	(1,136,784)	570,318	(566,466)
Debt due within one year	—	(308,515)	(308,515)
	—————	—————	—————
	(1,124,109)	254,195	(869,914)
	—————	—————	—————

22. OPERATING LEASES

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Not later than 1 year	2,671	—	2,671	—
Later than 1 year and not later than 5 years	9,416	—	9,416	—
	—————	———	—————	———
	12,087	—	12,087	—
	—————	———	—————	———

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the period end, economies and financial markets around the world experienced financial falls arising from uncertainties linked to COVID-19 pandemic. There is currently no material impact to the company and this is a non-adjusting event. The future impact of the pandemic on the company will be quantified as the situation evolves. The director has chosen to end the lease on the Abergavenny site after the year end.

24. DIRECTOR'S ADVANCES, CREDITS AND GUARANTEES

During the year the director entered into the following advances and credits with the company and its subsidiary undertakings:

	2020			
	Balance brought forward	Advances/ (credits) to the director	Amounts repaid	Balance outstanding
	£	£	£	£
Mr M F Jeffery	201,510	285,433	(795,458)	(308,515)
	—————	—————	—————	—————
	2019			
	Balance brought forward	Advances/ (credits) to the director	Amounts repaid	Balance outstanding
	£	£	£	£
Mr M F Jeffery	158,707	381,204	(338,400)	201,511
	—————	—————	—————	—————

25. RELATED PARTY TRANSACTIONS

Company

The company was under the control of Mr M Jeffery, the director and shareholder. Rent of £174,000 (2019 - £132,000) was paid by the company to the director Mr M Jeffery in the year.

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