

Registration number: 02217422

A. & A. Carpets Limited
Annual Report and Financial Statements
for the period from 31 March 2019 to 31 March 2020

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A. & A. Carpets Limited

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A. & A. Carpets Limited

Company Information

Directors Mr R Povey
Mr A J Brewer

Registered office Unit 6
Topaz Business Park
Birmingham Road
Bromsgrove
B61 0GD

Solicitors Archers Law LLP
Lakeside House
Kingfisher Way
Stockton-On-Tees
TS18 3NB

Auditor Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

A. & A. Carpets Limited

Directors' Report for the period from 31 March 2019 to 31 March 2020

The directors present their report and the financial statements for the period from 31 March 2019 to 31 March 2020.

Principal activity

The principal activity of the company is carpet and carpet accessory distributors.

Business review

Fair review of the business

On the 3rd February 2020, the entire issued share capital of the Company was purchased by Likewise Group Plc. The Company has continued to operate from its base in Worsley, Manchester and has joined the enlarged Likewise Group.

Likewise Group Plc acquired A. & A. Carpets Limited ("A & A") to significantly increase the Group's presence and logistics capability in the North West of England and continues to strengthen the prominence of the Group as a national distributor of floor coverings.

Both A. & A. and the Likewise Group have benefitted from complementary product offerings, combined management experience as well as supply chain efficiencies with both entities shared key supplier base. In addition, the acquisition of A & A increases the utilization of the Group's regional distribution hubs.

Impact of Coronavirus (COVID-19)

In response to the COVID-19 pandemic the Board implemented contingency measures to ensure the health and wellbeing of its employees whilst maintaining services to clients.

All normal operations and activities were closed at 5pm on Wednesday 25th March 2020. The Company retained a small number of employees to be available to facilitate any essential orders required for essential services.

All staff were advised on the furlough procedures with a limited number being retained and working from home, in addition to the small number referred to above. All staff subject to furlough received a minimum of the government's payment under the Coronavirus Job Retention Scheme.

Similar to the wider Likewise Group, management have been particularly "hands-on" over the last few months to cover the reduced staff levels. A revised budget was agreed for the second half of 2020 to reflect the particularly difficult trading conditions. This reasonably prudent budget produces a positive profit performance for this period with A & A performing well-ahead of plan. Working capital continues to be monitored daily.

Despite reduced operations in the supply chain, we were able to increase the Company's stock holding to fulfil Q4 orders and whilst cash collection was challenging, with many customers closed, we have been able to manage our cash position well within pre-lockdown levels.

We very much appreciate the support of our employees, suppliers, customers, and shareholders as we navigate through this period of our business development.

A. & A. Carpets Limited

Directors' Report for the period from 31 March 2019 to 31 March 2020 (continued)

Key performance indicators

The directors consider the following as key performance indicators (KPIs) for the Group: revenue and operating profit. The directors review these on a monthly basis. Sales and orders are also monitored against budget on a weekly basis by the executive management team for the wider Likewise Group.

The company's key financial and other performance indicators during the period were as follows:

	Unit	2020	2019
Revenue	£	8,017,616	8,993,489
Operating (loss)/profit	£	(157,910)	68,909

Directors of the company

The directors, who held office during the period and since, were as follows:

Mr S M M Byrne (resigned 3 February 2020)

Mr P M Hamers (resigned 3 February 2020)

Mr R Povey (appointed 3 February 2020)

Mr A J Brewer (appointed 3 February 2020)

Financial risk management objectives and policies

The two key risks the Company monitors are liquidity risk and credit risk. The directors review and agree policies for managing these risks and they are summarized below:

Liquidity risk

The Company has the wider support of the Likewise Group to mitigate liquidity risk should it be required.

Credit risk

The credit rating of significant customers is monitored regularly and stringent controls regarding the granting of credit are in place for all new credit customers set-up.

Future developments

After reviewing budgets and financial forecasts, and taking account of reasonably possible changes in trading performance and impact of the Covid-19 pandemic, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors continue to adopt the going concern basis of accounting in preparing the financial statements.

A. & A. Carpets Limited

Directors' Report for the period from 31 March 2019 to 31 March 2020 (continued)

Directors' responsibilities statement

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

Reappointment of auditor

The auditor Grant Thornton UK LLP will be deemed to be reappointed under section 487(2) of the Companies Act 2006.

A. & A. Carpets Limited

Directors' Report for the period from 31 March 2019 to 31 March 2020 (continued)

Small companies provision statement

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

24/3/2021

Approved by the Board on and signed on its behalf by:

Roy povey

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Mr R Povey
Director

A. & A. Carpets Limited

Independent Auditor's Report to the Members of A. & A. Carpets Limited

Opinion

We have audited the financial statements of A & A Carpets Limited (the 'company') for the period ended 31 March 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 FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss 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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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:

A. & A. Carpets Limited

Independent Auditor's Report to the Members of A. & A. Carpets Limited (continued)

- 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 company'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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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.

A. & A. Carpets Limited

Independent Auditor's Report to the Members of A. & A. Carpets Limited (continued)

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In 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 Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

A. & A. Carpets Limited

Independent Auditor's Report to the Members of A. & A. Carpets Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities 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 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.

Grant Thornton UK LLP

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Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

24/3/2021
Date:.....

A. & A. Carpets Limited

Statement of Comprehensive Income for the period from 31 March 2019 to 31 March 2020

	Note	Period from 31 Mar 19 to 31 Mar 20 £	Period from 1 Apr 18 to 30 Mar 19 £
Turnover	4	8,017,616	8,993,489
Cost of sales		<u>(5,834,877)</u>	<u>(6,673,290)</u>
Gross profit		2,182,739	2,320,199
Administrative expenses		(2,373,178)	(2,251,290)
Exceptional administrative expenses	5	(2,176,436)	-
Other operating income	6	<u>2,208,935</u>	<u>-</u>
Operating (loss)/profit	7	(157,940)	68,909
Other interest receivable and similar income		(549)	61
Interest payable and similar charges	8	<u>(13,870)</u>	<u>(29,423)</u>
(Loss)/profit before tax		(172,359)	39,547
Tax on (loss)/profit on ordinary activities	11	<u>27,954</u>	<u>(9,250)</u>
(Loss)/profit for the period		<u><u>(144,405)</u></u>	<u><u>30,297</u></u>

The above results were derived from continuing operations.

The company has no other comprehensive income for the current or prior year.

The notes on pages 13 to 30 form an integral part of these financial statements.

A. & A. Carpets Limited**(Registration number: 02217422)****Statement of Financial Position as at 31 March 2020**

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	336,369	383,145
Current assets			
Stocks	13	565,922	3,117,026
Debtors	14	1,576,498	1,552,589
Cash at bank and in hand		581,380	5,966
		<u>2,723,800</u>	<u>4,675,581</u>
Creditors: Amounts falling due within one year	15	<u>(2,266,312)</u>	<u>(4,125,887)</u>
Net current assets		<u>457,488</u>	<u>549,694</u>
Total assets less current liabilities		<u>793,857</u>	<u>932,839</u>
Creditors: Amounts falling due after more than one year	16	<u>(25,027)</u>	<u>(19,604)</u>
Net assets		<u>768,830</u>	<u>913,235</u>
Capital and reserves			
Called up share capital	17	39,800	39,800
Share premium reserve		242,884	242,884
Profit and loss account		486,146	630,551
Shareholders' funds		<u>768,830</u>	<u>913,235</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

24/3/2021

Approved by the Board on and signed on its behalf by:

Roy Povey

 Mr R Povey
 Director

The notes on pages 13 to 30 form an integral part of these financial statements.

A. & A. Carpets Limited**Statement of Changes in Equity for the Period from 31 March 2019 to 31 March 2020**

	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
At 1 April 2018	39,800	242,884	600,254	882,938
Profit for the period	-	-	30,297	30,297
Total comprehensive income	-	-	30,297	30,297
At 30 March 2019	<u>39,800</u>	<u>242,884</u>	<u>630,551</u>	<u>913,235</u>
	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
At 31 March 2019	39,800	242,884	630,551	913,235
Loss for the period	-	-	(144,405)	(144,405)
Total comprehensive income	-	-	(144,405)	(144,405)
At 31 March 2020	<u>39,800</u>	<u>242,884</u>	<u>486,146</u>	<u>768,830</u>

The notes on pages 13 to 30 form an integral part of these financial statements.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is Unit 6, Topaz Business Park, Birmingham Road, Bromsgrove, B61 0GD.

2 Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The company's financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sterling (£), which is also the company's financial currency.

Summary of disclosure exemptions

The Company's parent undertaking, Likewise Group PLC, includes the company in its consolidated financial statements. The consolidated financial statements of Likewise Group PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office, Unit 6 Topaz Business Park, Birmingham Road, Bromsgrove, B61 0GD.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Likewise Group PLC include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 Financial Instrument Disclosures.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

Going concern

The directors believe that the Company will be able to raise as required, sufficient cash to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed liabilities for at least the next twelve months from the date of approval of these financial statements. Additionally, the ultimate parent company, Likewise Group Plc, have agreed to provide support to the Company as required. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

Impact of Coronavirus (COVID-19)

At the time of signing the financial statements, the directors have considered the potential impact of the current social distancing policies and disruption to the Company's operations and those of its customer base. At the present time, there can be no assurance that a disruption in the financial markets, regional economies and the world economy would not negatively affect the financial performance of the Company. However, an estimate of the potential impact of these events cannot be quantified at this time.

The directors consider that the financial strength of the Company, when taking account of the wider Group, and the trading performance throughout the pandemic, will allow the Company to manage this difficult situation and continue to meet its customers' requirements for the foreseeable future.

Parent company

On 3 February 2020 the company became a wholly owned subsidiary of Likewise Group PLC which prepares publicly available consolidated financial statements in accordance with IFRS. The company will be included in the consolidated financial statements of Likewise Group PLC from the date of acquisition. These accounts are available from Unit 6 Topaz Business Park, Birmingham Road, Bromsgrove, B61 0GD. Until 3 February 2020 the company was a wholly owned subsidiary of Whitestone Carpets Holdings Limited, which is a wholly owned subsidiary of Victoria P.L.C. which prepares publicly available consolidated financial statements in accordance with IFRS. This company is included in the consolidated financial statements of Victoria P.L.C. until the date of disposal. These accounts are available from Victoria P.L.C., Worcester Road, Kidderminster, Worcestershire, DY10 1JR.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue is measured by reference to the fair value of the consideration receivable by the company for goods supplied, excluding VAT and trade discount. Revenue is recognised at a point in time upon the sale of goods or transfer of risk to the customer in accordance with IFRS 15. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risk and rewards of ownership of the good;
- the Company retains neither the continuing managerial involvement to the degree usually associated with ownership nor effective over the goods sold;
- the amount of revenue can be measured reliably;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The standalone selling price of the product sold to a customer is clearly determined from the contract entered into. The total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods after deducting trade discounts and volume rebates.

Trade discounts and volume rebates are estimated based on the terms of the contractually agreed arrangements.

Payment terms are between 30 and 60 days so the time value of money is minimal.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Other property, plant and equipment
Furniture, fittings and equipment
Motor vehicles

Depreciation method and rate

15% straight line
15% straight line and 50% straight line
25% straight line

Trade debtors

Trade debtors, which generally have 30-90 days terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

Stock

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition, as follows:

Consumables are measured at purchase cost on a first in, first out basis

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

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

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. Right-of-use assets and corresponding lease liabilities are recognised with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, lease payments are recognised as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using rates that reflect the incremental borrowing rate specific to the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

Impairment of financial assets

A loss allowance is recognised on initial recognition of financial assets held at amortised cost, based on expected credit losses, and is remeasured annually with changes appearing in the profit and loss account. Where there has been a significant increase in credit risk of the financial instrument since initial recognition, the loss allowance is measured based on lifetime expected losses. In all other cases the loss allowance is measured based on 12-month expected losses. For assets with a maturity of 12 months or less, including trade receivables, the 12-month expected loss allowance is equal to the lifetime expected loss allowance.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

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.

Financial assets and liabilities

Classification

The company's financial assets include trade debtors and other debtors.

The company's financial liabilities include borrowings, trade creditors and other creditors.

Recognition and measurement

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administrative expenses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised costs using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade debtors and other debtors fall into this category of financial instrument.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

For group loans which are due on demand or where there is no significant difference between the amount due/payable and fair value on initial recognition the such loans are carried at the amount due/payable on an amortised cost basis.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. For group loans which are due on demand or where there is no significant difference between the amount due/payable and fair value on initial recognition the such loans are carried at the amount due/payable on an amortised cost basis.

Impairment

All financial assets are reviewed for impairment using the expected credit loss model as required by IFRS 9. The company considers a broad range of information credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

International Financial Reporting Standards (IFRS) adopted for the first time in the year

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The Company have taken the modified retrospective approach to restatement and therefore the comparative figures have not been restated for the adoption of IFRS 16.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement of all leases, except short-term leases and leases of low value assets. The impact of the adoption of IFRS 16 on the Company's financial statements is described below:

The date of initial application of IFRS 16 is 31 March 2019.

(a) Impact of the new definition of a lease

The Company has made use of a practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered into or modified before 31 March 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determined whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 31 March 2019. The scope of contracts that meet the definition of a lease is not expected to significantly change for the Company as a result of implementation of IFRS 16.

(b) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16 for all leases (except as noted below), the Company:

(i) Recognises right-of-use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of the future lease payments; and

(ii) Recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent free periods) are recognised as part of the measurement of right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

For short-term leases of less than 12 months duration and leases of low value assets the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. The expense is presented within 'administrative expenses' in profit or loss.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

2 Accounting policies (continued)

(c) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

(d) Financial impact of the initial application of IFRS 16

All leases held were previously accounted for as finance leases in accordance with IAS 17. These leases contain no residual value guarantees and as such there are no material impacts to these lease contracts upon transition to IFRS 16.

The Company has applied the short-term lease transition exemption of IFRS 16 for one operating lease with a remaining lease term of less than one year at the date of initial application. Lease payments of £150,000 have been recognised on a straight-line basis. This has been presented within 'administrative expenses' in profit or loss.

3 Critical accounting judgements and 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:

Stock

Management estimates the net realisable values of stock, taking into account the most reliable evidence available at each reporting date. The future realisation of these stocks may be affected by future technology or other market-driven changes that may reduce future selling prices.

4 Turnover

The analysis of the company's turnover for the period from continuing operations is as follows:

	2020 £	2019 £
Sale of goods	<u>8,017,616</u>	<u>8,993,489</u>

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

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

5 Exceptional administrative expenses

The analysis of the company's exceptional administrative expenses for the period is as follows:

	2020	2019
	£	£
Impairment of stock on acquisition	<u>(2,176,436)</u>	<u>-</u>

6 Other operating income

The analysis of the company's other operating income for the period is as follows:

	2020	2019
	£	£
Exceptional income	<u>2,208,935</u>	<u>-</u>

Exceptional income relates to the waiver of inter-company loans due to companies in the Victoria PLC group and other adjustments made as part of the acquisition of the company by Likewise Group PLC

7 Operating loss

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation of tangible assets	258,186	354,715
Foreign exchange gains	546	7,606
Bad debts written off	<u>3,023</u>	<u>3,398</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	9,701	24,442
Interest on right-of use-assets	<u>4,169</u>	<u>4,981</u>
	<u>13,870</u>	<u>29,423</u>

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	1,057,126	882,505
Social security costs	80,721	82,341
Pension costs, defined contribution scheme	16,983	11,831
	<u>1,154,830</u>	<u>976,677</u>

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	2020	2019
	No.	No.
Administration	2	2
Sales and marketing	10	10
Distribution	22	27
	<u>34</u>	<u>39</u>

10 Auditor's remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>20,000</u>	<u>3,684</u>
Other fees to auditors		
Taxation compliance services	-	816

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

11 Income tax

Tax charged/(credited) in the profit and loss account

	2020 £	2019 £
Current taxation		
UK corporation tax	-	26,240
UK corporation tax adjustment to prior periods	(34,426)	(672)
	(34,426)	25,568
Deferred taxation		
Arising from origination and reversal of temporary differences	6,472	(16,318)
Tax (credit)/expense in the profit and loss account	(27,954)	9,250

The tax on profit/(loss) before tax for the period is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
(Loss)/profit before tax	(172,359)	39,547
Corporation tax at standard rate	(32,748)	7,514
Decrease in current tax from adjustment for prior periods	-	(672)
Increase from effect of different UK tax rates on some earnings	-	1,882
Increase from effect of expenses not deductible in determining taxable profit	4,794	839
Other tax effects for reconciliation between accounting profit and tax income	-	(313)
Total tax (credit)/charge	(27,954)	9,250

The UK corporation tax rate reduced from 20% to 19% (effective from 1 April 2017) with a further reduction to 18% on 1 April 2020 substantively enacted on 26 October 2015. On 16 March 2016 it was announced that the main rate of UK corporation tax would reduce to 17% on 1 April 2020. This change was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax balances at 31 March 2020 have been calculated based on the rate substantively enacted at the balance sheet date of 17% (2019 - 17%).

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

11 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

2020

Accelerated tax depreciation
Other items

**Asset
£**

30,094

650

30,744

2019

Accelerated tax depreciation
Other items

**Asset
£**

36,920

296

37,216

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

11 Income tax (continued)

Deferred tax movement during the period:

	At 31 March 2019 £	Recognised in income £	At 31 March 2020 £
Accelerated tax depreciation	36,920	(6,826)	30,094
Other items	296	354	650
Net tax assets/(liabilities)	<u>37,216</u>	<u>(6,472)</u>	<u>30,744</u>

Deferred tax movement during the prior period:

	At 1 April 2018 £	Recognised in income £	At 30 March 2019 £
Accelerated tax depreciation	20,828	16,092	36,920
Other items	70	226	296
Net tax assets/(liabilities)	<u>20,898</u>	<u>16,318</u>	<u>37,216</u>

12 Tangible assets

	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost or valuation				
At 31 March 2019	853,954	516,883	474,959	1,845,796
Additions	142,573	50,500	21,617	214,690
Disposals	(327,306)	(26,250)	-	(353,556)
At 31 March 2020	<u>669,221</u>	<u>541,133</u>	<u>496,576</u>	<u>1,706,930</u>
Depreciation				
At 31 March 2019	632,407	461,929	368,315	1,462,651
Charge for the period	183,398	44,317	30,471	258,186
Eliminated on disposal	(327,307)	(22,969)	-	(350,276)
At 31 March 2020	<u>488,498</u>	<u>483,277</u>	<u>398,786</u>	<u>1,370,561</u>
Carrying amount				
At 31 March 2020	<u>180,723</u>	<u>57,856</u>	<u>97,790</u>	<u>336,369</u>
At 30 March 2019	<u>221,547</u>	<u>54,954</u>	<u>106,644</u>	<u>383,145</u>

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

12 Tangible assets (continued)

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £	2019 £
Motor vehicles	57,857	47,938
Other property, plant and equipment	31,849	57,954
	<u>89,706</u>	<u>105,892</u>

13 Stock

	2020 £	2019 £
Raw materials and consumables	<u>565,922</u>	<u>3,117,026</u>

There is no significant difference between the replacement cost of stock and its carrying amount.

The cost of stock recognised as an expense in the period amounted to £5,856,536 (2019 - £6,673,289). This is included within cost of sales.

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

14 Trade and other debtors

	2020	2019
	£	£
Trade debtors	907,261	751,963
Debtors from related parties	550,000	368,081
Prepayments and accrued income	88,493	214,156
Other debtors	30,744	218,389
	<u>1,576,498</u>	<u>1,552,589</u>

15 Creditors: amounts falling due within one year

	2020	2019
	£	£
Obligations under right-of-use leases	30,674	47,251
Trade creditors	1,850,663	874,500
Accruals and deferred income	210,505	52,739
Amounts owed to group undertakings	-	3,089,559
Social security and other taxes	163,785	18,488
Other creditors	10,685	9,596
Corporation tax	-	33,754
	<u>2,266,312</u>	<u>4,125,887</u>

16 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Obligations under right-of-use assets	<u>25,027</u>	<u>19,604</u>

17 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary Shares of £1 each	<u>39,800</u>	<u>39,800</u>	<u>39,800</u>	<u>39,800</u>

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

18 Reserves

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

Share premium account - this reserve records the amount above the nominal value received for shares sold, less transaction costs.

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

19 Obligations under right-of-use leases

Right-of-use leases

	Minimum lease payments £	Present value £
2020		
Within one year	33,223	33,223
In two to five years	26,665	26,665
	<u>59,888</u>	<u>59,888</u>
	Minimum lease payments £	Present value £
2019		
Within one year	50,891	50,891
In two to five years	21,660	21,660
	<u>72,551</u>	<u>72,551</u>

Future finance charges are expected to be £4,187 (2019 - £5,696).

Operating leases

The total future value of minimum lease payments is as follows:

	2020 £	2019 £
Within one year	-	150,000
In two to five years	-	600,000
In over five years	-	175,000
	<u>-</u>	<u>925,000</u>

A. & A. Carpets Limited

Notes to the Financial Statements for the period from 31 March 2019 to 31 March 2020 (continued)

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £11,831 (2019 - £11,831).

21 Parent and ultimate parent undertaking

The company's immediate parent is Likewise Group PLC.

The most senior parent entity producing publicly available financial statements is Likewise Group PLC. These financial statements are available upon request from Likewise Group PLC, Unit 6 Topaz Business Park, Birmingham Road, Bromsgrove, B61 0GD.