Bachmann Europe Plc

Annual report and consolidated financial statements

Registered number 02392907

31 December 2020

Contents

Group strategic report

Business review

Combined group turnover decreased by 5.6% in 2020, while gross profit increased by 8% resulted in an increase in operating profit of £143k to £349k.

Production in our suppliers factories was impacted in the first half of 2020 due to Covid 19 but recovered in the second half. This was driven by the launch of the new EFE Rail brand and high demand for newly tooled products which were being delivered right up to the end of the year, which resulted in a strong finish to the year.

The continued profits have allowed us to maintain investment on a broad front benefiting our staff and customers alike. Our commitment to investing in new product tooling continues across our core ranges to enable an ongoing strategy of development in all areas.

Stock levels increased by 3% on 2020 due to a significant quantity of new items arriving in the last quarter. We remain resolute on reducing our stock holding through 2021.

Gross Margin has improved from 31.8% to 36.4% as a result of improved efficiencies and less sales discounting during the year.

Impact of Covid 19 on the business

Covid 19 was still impacting the supply from some of our vendors during the first quarter of 2021 but to a lessor extent than in 2020. At the end of quarter one, year on year sales were considerably up on the same period last year.

Impact of Brexit on the business

The impact of Brexit is still largely unknown but with an established operation in Germany the company is well placed to supply the wider European market from either within or outside the European market.

Principal Risks and Uncertainties Facing the Company

Mitigation of the key risk as identified by the board is the interruption of supply from our main supplier and this remains the priority of the business.

Future Development

2020 saw the launch of the integrated dealer portal, which allows customers to manage their own ordering and view stock availability, the initial uptake by customers is very encouraging. Further enhancements are planned to enable changes which will further improve efficiencies throughout the company. The system will provide a platform which will enable the strategic development of the company to continue.

Germany continues to operate at beak-even before depreciation and taxation. The stock value has remained static during the year and efforts are being made to reduce further in the coming year.

Our order book from customers remains strong with over £6.6 million worth of back orders valued as standard UK trade price. Last year we implemented the strategic decision on not to announce new items until three months before they are due into stock. As orders for previously announced stock are flowing through, it is very encouraging to see the back order value to have increased.

Strategic report *(continued)*

Research and development

Development expenditure is incurred in relation to the design of artwork for models of British and European outlined model trains to enable expansion in the UK and European market.

By order of the board

D Haarhaus
Director

Moat Way
Barwell
Leicestershire
LE9 8EY

Dated 28th June 2021

Group directors' report

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

Principal activities

The principal activity of the company is the sale of model railway products to retail outlets.

Results for the year and proposed dividend

Bachmann Europe Plc have made a profit in the current year. The results for the year are set out on page 8. The directors do not recommend the payment of a dividend *(2019: £nil)*.

Directors

The directors who held office during the year, together with their interests in the share capital of the company, were as follows:

	Interest at beginning and end of year
David Haarhaus	-
Kenneth Ting	-
Ivan Ting	-

Kenneth Ting and Ivan Ting are also directors of the ultimate parent company and their interests in the issued share capital of that company are shown in its directors' report.

The company maintains directors' and officers' liability indemnity insurance. Neither the indemnity nor the insurance will provide cover where a director has acted fraudulently or dishonestly.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Group Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP therefore continues in office.

By order of the board

D Haarhaus
Director

Moat Way
Barwell
Leicestershire
LE9 8EY

Dated 28th June 2021

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Bachmann Europe Plc

Opinion

We have audited the financial statements of Bachmann Europe Plc ("the company") for the year ended 31 December 2020 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").
In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

Independent auditor's report to the members of Bachmann Europe Plc *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for obsolete stock. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited judgement linked to the recognition of revenue and limited trade in the days either side of the year end.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Bachmann Europe Plc *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Gareth Woods.

Gareth Woods *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated 28th June 2021

Consolidated profit and loss account
for year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	2	**13,144**	13,923
Cost of sales		**(8,366)**	(9,500)
Gross profit		**4,778**	4,423
Distribution costs		**(221)**	(186)
Administrative expenses		**(4,208)**	(4,031)
Group operating profit	3	**349**	206
Profit before taxation		**349**	206
Tax on profit	6	**(81)**	(71)
Profit for the financial year		**268**	135

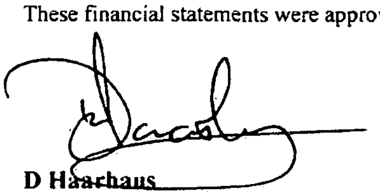
The group had no recognised gains or losses other than the result for the year.

The turnover and profit for both years relate to continuing activities.

Consolidated balance sheet
at 31 December 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	*7*		-		-
Tangible assets	*8*		**5,219**		4,665
			5,219		4,665
Current assets					
Stocks	*10*	**9,398**		9,128	
Debtors	*11*	**1,867**		3,245	
Cash at bank and in hand	*13*	**2,943**		2,592	
		14,208		14,965	
Creditors: amounts falling due within one year	*14*	**(8,598)**		(9,150)	
Net current assets			**5,610**		5,815
Total assets less current liabilities			**10,829**		10,480
Provisions for liabilities					
Deferred tax liability	*12*	**(181)**		(100)	
			(181)		(100)
Net assets			**10,648**		10,380
Capital and reserves					
Called up share capital	*16*		**2,050**		2,050
Profit and loss account			**8,598**		8,330
Shareholders' funds			**10,648**		10,380

These financial statements were approved by the board of directors on 28th June 2021 and were signed on its behalf by:



D Haarhaus
Director

Company registered number: 02392907

Company balance sheet
at 31 December 2020

	Note	**2020** £000	**2020** £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	7		-		-
Tangible assets	8		**5,219**		4,665
Investments	9		**626**		626
			5,844		5,291
Current assets					
Stocks	10	**9,398**		9,128	
Debtors	11	**1,867**		3,245	
Cash at bank and in hand	13	**2,943**		2,592	
		14,208		14,965	
Creditors: amounts falling due within one year	14	**(9,223)**		(9,776)	
Net current assets			**4,985**		5,189
Total assets less current liabilities			**10,829**		10,498
Provisions for liabilities					
Deferred tax liability	13	**(181)**		(100)	
			(181)		(100)
Net assets			**10,648**		10,380
Capital and reserves					
Called up share capital	16		**2,050**		2,050
Profit and loss account			**8,598**		8,330
Shareholders' funds			**10,648**		10,380

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the parent company has not been presented. The parent company's profit for the financial year is £268,000 (2019: £135,000).

These financial statements were approved by the board of directors on 28th June 2021 and were signed on its behalf by:

D Haarhaus
Director

Company registered number: 02392907

Consolidated and company statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	2,050	8,195	10,245
Total comprehensive income for the period			
Profit for the year	-	135	135
Balance at 31 December 2019	**2,050**	**8,330**	**10,380**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	2,050	8,330	10,380
Total comprehensive income for the period			
Profit for the year	-	268	268
Balance at 31 December 2020	**2,050**	**8,598**	**10,648**

Consolidated cash flow statement

for year ended 31 December 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the year		**268**	135
Adjustments for:			
Depreciation, amortisation and impairment	*7,8*	**839**	774
Gain on sale of tangible fixed assets		**(3)**	(15)
Taxation	*6*	**81**	71
		1,185	965
Taxation paid		**(21)**	-
Decrease/(increase) in trade and other debtors		**1,399**	(1,778)
Increase in stocks		**(270)**	(211)
(Decrease)/ increase in trade and other creditors		**(552)**	2,765
Net cash from operating activities		**577**	776
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**3**	15
Acquisition of tangible fixed assets	*8*	**(1,393)**	(1,697)
Net cash from investing activities		**(1,390)**	(1,682)
Net increase in cash and cash equivalents		**351**	59
Cash and cash equivalents at 1 January	*13*	**2,592**	2,533
Cash and cash equivalents at 31 December	*13*	**2,943**	2,592

Notes
(forming part of the financial statements)

1 Accounting policies

Bachmann Europe Plc (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 02392907 and the registered address is Moat Way, Barwell, Leicestershire, LE9 8EY.

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The amendments to FRS 102 issued in July 2020 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

1.2. Going concern

The directors consider the going concern assumption to be appropriate, as the company has net current assets of £4,985 000 and net assets of £10,648,000.
The directors have prepared forecasts for a period to 31 December 2022 which indicate that, taking account of severe but plausible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Kadar Holdings Company Limited to meet its liabilities as they fall due for that period.
The current unprecedented economic environment has created uncertainty in relation to the timing of a return to normal operations, the ongoing availability and extent of certain government supports, future consumer behaviour and the associated recovery of volumes and margins. The timing and shape of recovery is uncertain and accordingly, the Company has modelled a number of scenarios, including a severe but plausible downside scenario, taking account of current levels of trading and the consequential impact on cashflows, and indebtedness to the parent company. This scenario included a possible third wave of Covid-19 resulting in a lockdown in late 2021. The downside scenario does not incorporate any further government funding beyond that currently announced.
The Company has shown so far in recent months that it can trade robustly in the current climate, and the downturn in sales in 2020 was largely due to delays in supplies of new product rather than a lack of demand for the products.
Furthermore, the Company is also reliant on its parent company for the supply of products for resale, which has confirmed that it will continue to extend credit over trading balances to enable the Company to operate with a favourable cash flow throughout this period.
Those forecasts are dependent on Kadar Holdings Company Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2020 amounted to £7,279,000 and providing additional financial support during that period. Kadar Holdings Company Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecast.
As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.
Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Other financial instruments

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

1.8. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	-	50 years
Plant and machinery	-	between 4 and 8 years
Tooling	-	between 1 and 5 years
Fixtures and fittings	-	between 4 and 8 years
Motor vehicles	-	3 years
Computer equipment	-	5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9. Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The group elected not to restate business combinations that took place prior to 1 January 2019. In respect of acquisitions prior to 1 January 2019, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10. Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Distribution agreements	13.3% on cost

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that it may be impaired.

1.11. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.12. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.14. Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

1.15. Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.16. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

1.17. Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Notes *(continued)*

2 Turnover

	2020 £000	2019 £000
Sale of goods	**13,144**	13,923
Total turnover	**13,144**	13,923

	2020 £000	2019 £000
By geographical market		
United Kingdom	**10,309**	10,743
Rest of the World	**2,835**	3,180
	13,144	13,923

3 Operating profit

Included in profit/loss are the following:

	2020 £000	2019 £000
Depreciation and other amounts written off tangible fixed assets	**839**	774
Operating lease rentals - property	**34**	35
- other	**16**	17
Profit on disposal of tangible assets	**(3)**	(15)
Foreign exchange	**(114)**	(150)

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**35**	30
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**6**	5
All other services	**5**	1

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2020	2019
Management and administration	**46**	53
Development	**14**	11
	60	64

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**1,683**	1,775
Social security costs	**239**	144
Contributions to defined contribution plans	**75**	70
	1,997	1,989

5 Directors' remuneration

	2020	2019
	£000	£000
Directors' remuneration	**107**	108
Company contributions to money purchase pension plans	**7**	9

The aggregate of remuneration of the highest paid director was £107,000 *(2019: £108,000)*, and company pension contributions of £7,000 *(2019: £9,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

Notes *(continued)*

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020		2019	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period		**-**		-
Total current tax		**-**		-
Deferred tax				
Origination and reversal of timing differences	**79**		41	
Adjustments in respect of prior years	**2**		30	
Total deferred tax		**81**		71
Total tax		**81**		71

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit for the year	**268**	135
Total tax charge	**81**	71
Profit excluding taxation	**349**	206
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**66**	39
Fixed asset differences	**5**	5
Adjustments in respect of prior years	**2**	30
Remeasurement of deferred tax for changes in tax rates	**12**	(2)
Deferred tax not recognised	**-**	(1)
Research and development credits	**(4)**	-
Total tax charge included in profit or loss	**81**	71

Factors that may affect future tax charges

The March 2021 Budget confirmed an increase in corporation tax rate from 19% to 25% with effect from 1 April 2023, this change has not been substantially enacted. This will simply increase the company's future tax charge accordingly and increase the deferred tax asset by The UK deferred tax assets as at 31 December 2020 have been calculated at 19%.

This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £11,000.

Notes *(continued)*

7 Intangible assets

Group and Company	Distribution agreement £000
Cost	
Balance at 1 January 2020	775
Balance at 31 December 2020	775
Amortisation and impairment	
Balance at 1 January 2020	775
Amortisation for the year	-
Balance at 31 December 2020	775
Net book value	
At 31 December 2020	-
At 31 December 2019	-

Amortisation expense

The amortisation expense is recognised in the following line item in the profit and loss account:

	2020 £000	2019 £000
Administrative expenses	-	-

Notes *(continued)*

8 Tangible fixed assets

Group and Company	Freehold land and buildings £000	Plant and machinery, £000	Tooling £000	Fixtures and fittings £000	Motor vehicles £000	Assets in the course of construction £000	Total £000
Cost							
Balance at 1 January 2020	1,714	1,301	4,131	155	238	1,819	9,358
Additions	41	34	60	12	10	1,236	1,393
Disposals	-	-	-	-	(21)	-	(21)
Transfers	-	-	920	-	-	(920)	-
Balance at 31 December 2020	1,755	1,335	5,111	167	227	2,135	10,730
Depreciation and impairment							
Balance at 1 January 2020	913	808	2,641	116	215	-	4,693
Depreciation expense for the year	25	112	680	9	13	-	839
Disposals	-	-	-	-	(21)	-	(21)
Balance at 31 December 2020	938	920	3,321	125	207	-	5,511
Net book value							
At 31 December 2020	**817**	**415**	**1,790**	**42**	**20**	**2,135**	**5,219**
At 31 December 2019	801	493	1,490	39	23	1,819	4,665

9 Fixed asset investments

Fixed asset investments – Company

Company	**Shares in group undertakings £000**
Cost	
At beginning and end of year	626
Provisions	
At beginning and end of year	-
Net book value	
At 31 December 2020	**626**
At 31 December 2019	626

Notes *(continued)*

9 Fixed asset investments *(continued)*

Subsidiary undertakings	Registered office address	Country of incorporation	Principal activity	Class and percentage of shares held
Graham Farish Limited	13 Moat Way, Barwell, Leicestershire, LE9 8EY	UK	Dormant	100% ordinary shares
Grafar Limited	13 Moat Way, Barwell, Leicestershire, LE9 8EY	UK	Dormant	99.9% ordinary shares
Intertrans 148 Limited	13 Moat Way, Barwell, Leicestershire, LE9 8EY	UK	Dormant	50% ordinary shares

10 Stocks

Group and Company	**2020 £000**	2019 £000
Goods for resale	**9,398**	9,128
	9,398	9,128

11 Debtors

Group and Company	**2020 £000**	2019 £000
Trade debtors	**1,205**	2,806
Current tax	**21**	-
Other debtors and prepayments	**641**	439
	1,867	3,245

12 Deferred taxation

The movement in deferred taxation during the year was:

Group and Company	**2020 £000**	2019 £000
Liability at beginning of year	**100**	29
Movement for the year	**81**	41
Liability at end of year	**181**	70

Deferred tax assets and liabilities are attributable to the following:

Group and Company	**Assets** **2020 £000**	2019 £000	**Liabilities** **2020 £000**	2019 £000	**Net** **2020 £000**	2019 £000
Accelerated capital allowances		-	**(396)**	(234)	**(396)**	(234)
Unused tax losses	**155**	122	**-**	-	**155**	122
Short term timing differences	**60**	12	**-**	-	**60**	12
Tax assets/(liabilities)	**215**	134	**(396)**	(234)	**(181)**	(100)
Net tax assets/(liabilities)	**215**	134	**(396)**	(234)	**(181)**	100

The company had a deferred tax asset of £nil at 31 December 2020 (2019 :£29,000) that was not recognised.

Notes *(continued)*

13 Cash and cash equivalents

Group and company	2020 £000	2019 £000
Cash at bank and in hand	**2,943**	2,592

14 Creditors: amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade creditors	**388**	288	**388**	288
Amounts owed to group undertakings	**7,313**	8,052	**7,938**	8,678
Taxation and social security	**223**	207	**223**	207
Accruals and deferred income	**640**	492	**640**	492
Other financial liabilities (note 17)	**34**	111	**34**	111
	8,598	9,150	**9,223**	9,776

15 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £75,000 *(2019: £70,308)*.

16 Capital and reserves

Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
2,050,000 ordinary shares of £1 each	**2,050**	2,050
Shares classified in shareholders' funds	**2,050**	2,050

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020 £000	2019 £000
Liabilities measured at fair value through profit or loss	**(34)**	(111)

Notes *(continued)*

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group and Company	2020 £000	2019 £000
Less than one year	66	47
Between one and five years	202	228
More than five years	-	8
	268	283

During the year £50,000 as recognised as an expense in the profit and loss account in respect of operating leases *(2019: £52,000)*.

19 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £569,303 *(2019: £582,000)* Company: £569,303 *(2019: £582,000)*.

20 Related parties

Group and Company

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £114,000 *(2019: £117,000)*.

Other related party transactions

There were no other related party transactions in the year to 31 December 2020 *(2019: £nil)*.

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Kader Holdings Company Limited, who is the ultimate controlling party.

No other group financial statements include the results of the Company. The consolidated financial statements of Kader Holdings Company Limited, a company incorporated in Bermuda, are available from Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.