

Company Registration No. 02588842 (England and Wales)

AAK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

AAK LIMITED

COMPANY INFORMATION

Directors	M I Kindler N Helfgott
Company number	02588842
Registered office	Acre House 11-15 William Road London NW1 3ER United Kingdom
Auditor	HW Fisher LLP Acre House 11-15 William Road London NW1 3ER United Kingdom
Business address	Suite 6, Accurist House 44 Baker Street London W1M 1DH Great Britain
Bankers	HSBC Bank Plc 69 Pall Mall London SW1Y 5EY

AAK LIMITED

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AAK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report for the year ended 30 June 2020.

Fair review of the business

The principal activity of the company continues to be that of clothing wholesalers.

The turnover for the year under review was £12.87 million (2019: £13.29 million).

The company made an operating profit of £240,189 (2019: £107,979). No fair value adjustment to the properties was necessary in the 2020 accounts.

Despite the impact of Covid 19 the company managed to report reasonable results. The directors are mindful that due to the pandemic there is significant trading uncertainty throughout the industry. The directors have taken all necessary measures including being in constant contact with its suppliers and customers and feel that they are well placed to deal with the challenging conditions that the world is facing at present.

The directors have also taken necessary steps to also deal with the uncertainty regarding Brexit what ever the trade deal outcome.

Principal risks and uncertainties

The principal risks and uncertainties facing the company relate to changes in consumer preferences and the following factors:-

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The company's policy throughout the year has been to ensure continuity and funding by working with the company's bankers.

Foreign Currency risk

The company is exposed to transaction foreign currency risk. The risk of currency fluctuations are mitigated by using foreign exchange banking facilities and advice.

Credit risk

In order to manage credit risk the directors set limits for customers based on combination of payment history and third party references. Credit limits are reviewed regularly.

Key performance indicators

In the opinion of the directors the primary key performance indicator is gross profit margin. This has increased from 8.51% in 2019 to 9.25% in 2020.

On behalf of the board

M I Kindler

Director

20 December 2020

AAK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the company continues to be that of clothing wholesalers.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M I Kindler

N Helfgott

Results and dividends

The results for the year are set out on page 6.

Interim ordinary dividends were paid amounting to £140,000. The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M I Kindler

Director

20 December 2020

AAK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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.

AAK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AAK LIMITED

Opinion

We have audited the financial statements of AAK Limited (the 'company') for the year ended 30 June 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

AAK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AAK LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

Navinchandra Thaker (Senior Statutory Auditor)

for and on behalf of HW Fisher LLP

Chartered Accountants

Statutory Auditor

Acre House

11-15 William Road

London

NW1 3ER

United Kingdom

22 December 2020

AAK LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Notes	£	£
Turnover	3	12,874,587	13,293,811
Cost of sales		(11,683,599)	(12,162,517)
Gross profit		1,190,988	1,131,294
Administrative expenses		(1,057,307)	(1,099,924)
Other operating income		106,508	76,609
Operating profit	4	240,189	107,979
Interest receivable and similar income	7	1,905	3,890
Interest payable and similar expenses	8	(28,742)	(37,473)
Fair value gains and losses on investment properties	12	-	(235,000)
Profit/(loss) before taxation		213,352	(160,604)
Tax on profit/(loss)	9	(44,712)	16,705
Profit/(loss) for the financial year		168,640	(143,899)

AAK LIMITED

BALANCE SHEET

AS AT 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11		16,714		17,038
Investment properties	12		1,705,000		1,705,000
			<u>1,721,714</u>		<u>1,722,038</u>
Current assets					
Stocks	13	799,122		1,978,964	
Debtors	14	1,083,950		1,093,841	
Cash at bank and in hand		908,397		360,173	
		<u>2,791,469</u>		<u>3,432,978</u>	
Creditors: amounts falling due within one year	15	<u>(3,777,627)</u>		<u>(4,450,771)</u>	
Net current liabilities			<u>(986,158)</u>		<u>(1,017,793)</u>
Total assets less current liabilities			735,556		704,245
Provisions for liabilities	17		<u>(25,894)</u>		<u>(23,223)</u>
Net assets			<u>709,662</u>		<u>681,022</u>
Capital and reserves					
Called up share capital	21		290		290
Investment property reserve			614,033		614,033
Profit and loss reserves			95,339		66,699
Total equity			<u>709,662</u>		<u>681,022</u>

The financial statements were approved by the board of directors and authorised for issue on 20 December 2020 and are signed on its behalf by:

M I Kindler

Director

Company Registration No. 02588842

AAK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

		Share capital	Investment property reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 July 2018		290	815,515	229,116	1,044,921
Year ended 30 June 2019:					
Loss and total comprehensive income for the year		-	-	(143,899)	(143,899)
Dividends	10	-	-	(220,000)	(220,000)
Transfers		-	(201,482)	201,482	-
Balance at 30 June 2019		290	614,033	66,699	681,022
Year ended 30 June 2020:					
Profit and total comprehensive income for the year		-	-	168,640	168,640
Dividends	10	-	-	(140,000)	(140,000)
Balance at 30 June 2020		290	614,033	95,339	709,662

AAK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	27		82,972		(121,544)
Interest paid			(28,742)		(37,473)
Income taxes (paid)/refunded			-		62,149
Net cash inflow/(outflow) from operating activities			54,230		(96,868)
Investing activities					
Purchase of tangible fixed assets		(3,463)		(5,771)	
Interest received		1,905		3,890	
Net cash used in investing activities			(1,558)		(1,881)
Financing activities					
Dividends paid		(140,000)		(220,000)	
Net cash used in financing activities			(140,000)		(220,000)
Net decrease in cash and cash equivalents			(87,328)		(318,749)
Cash and cash equivalents at beginning of year			(504,907)		(186,158)
Cash and cash equivalents at end of year			(592,235)		(504,907)
Relating to:					
Cash at bank and in hand			908,397		360,173
Bank facilities included in creditors payable within one year			(1,500,632)		(865,080)

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

AAK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Acre House, 11-15 William Road, London, NW1 3ER, United Kingdom.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties. The principal accounting policies adopted are set out below.

1.2 Going concern

The Directors have considered the effects of the Covid-19 outbreak which has been spreading throughout the world since early 2020. Whilst the pandemic has had a profound impact on the activities of the company and had caused a significant decrease in the level of turnover in the final quarter of the year, the company continues to remain profitable with orders slowly returning towards previous levels. The Directors consider the outbreak unlikely to cause a significant disruption to the company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

The board has given regard to the forecasts, orders in hand and the continued support of the directors and related company, AAK Enterprises Limited, in considering the effect of its net current liability position and the challenging retail sector. At the time of approving the financial statements the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services supplied net of VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	20% reducing balance
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account and subsequently transferred within equity to the Investment property reserve together with the associated deferred tax effect.

Deferred tax arising on the investment properties following revaluations is included within the revaluation reserve.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and bank facilities. Bank facilities are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and bank facilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Forward foreign exchange contracts

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

The company makes payments to defined contributions pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

1.15 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The company participates in a share-based payment arrangement granted to a certain employee of the company. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the directors' valuation and agreed with HMRC.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss account.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions relating to the valuation of the investment properties have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities. In 2019, the fair value of the investment properties was determined by third party valuation experts, however these figures can not be taken to be a true reflection of the value the company may recoup on the sale of the properties.

3 Turnover and other revenue

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

4 Operating profit

	2020	2019
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange (gains)/losses	(25,276)	6,274
Fees payable to the company's auditor for the audit of the company's financial statements	15,000	13,500
Depreciation of owned tangible fixed assets	3,787	3,393
Operating lease charges	72,836	79,399
	<u> </u>	<u> </u>

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Sales and administration	13	13

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	483,935	499,894
Social security costs	51,222	44,128
Pension costs	19,881	17,620
	555,038	561,642

6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	100,242	101,000
Company pension contributions to defined contribution schemes	8,447	9,153
	108,689	110,153

7 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	1,905	3,890

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,905	3,890
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8 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank facilities	28,742	37,473

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	42,041	16,409
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	2,671	(33,114)
	<u> </u>	<u> </u>
Total tax charge/(credit)	44,712	(16,705)
	<u> </u>	<u> </u>

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit/(loss) before taxation	213,352	(160,604)
	<u> </u>	<u> </u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	40,537	(30,515)
Tax effect of expenses that are not deductible in determining taxable profit	1,442	2,274
Effect of revaluations of investment property	-	44,650
Deferred tax timing differences	2,733	(33,114)
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	44,712	(16,705)
	<u> </u>	<u> </u>

10 Dividends

	2020	2019
	£	£
Interim paid	140,000	220,000
	<u> </u>	<u> </u>

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

11 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 July 2019	108,416
Additions	3,463
	<hr/>
At 30 June 2020	111,879
	<hr/>
Depreciation and impairment	
At 1 July 2019	91,378
Depreciation charged in the year	3,787
	<hr/>
At 30 June 2020	95,165
	<hr/>
Carrying amount	
At 30 June 2020	16,714
	<hr/>
At 30 June 2019	17,038
	<hr/>

12 Investment property

	2020 £
Fair value	
At 1 July 2019 and 30 June 2020	1,705,000
	<hr/>

In April 2019 the properties were valued by Lambert Chartered Surveyors and Bruton Knowles, independent RICS registered surveyors. The valuations were made on an open market value basis by reference to market evidence of transaction prices for similar properties. The Directors do not consider the fair value of the properties to have materially differed at the year-end from the valuation date.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2020 £	2019 £
Cost	1,070,640	1,070,640
Accumulated depreciation	-	-
	<hr/>	<hr/>
Carrying amount	1,070,640	1,070,640
	<hr/>	<hr/>

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

13 Stocks

	2020	2019
	£	£
Raw materials and consumables	419,401	1,062,203
Finished goods and goods for resale	379,721	916,761
	<u>799,122</u>	<u>1,978,964</u>

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	1,044,841	1,005,020
Other debtors	17,155	51,485
Prepayments and accrued income	21,954	37,336
	<u>1,083,950</u>	<u>1,093,841</u>

15 Creditors: amounts falling due within one year

	Notes	2020	2019
		£	£
Bank facilities	16	1,500,632	865,080
Trade creditors		752,928	2,306,430
Corporation tax		58,450	16,409
Other taxation and social security		18,301	15,239
Other creditors		1,272,424	1,188,361
Accruals and deferred income		174,892	59,252
		<u>3,777,627</u>	<u>4,450,771</u>

16 Loans and overdrafts

	2020	2019
	£	£
Bank facilities	1,500,632	865,080
	<u>1,500,632</u>	<u>865,080</u>
Payable within one year	1,500,632	865,080
	<u>1,500,632</u>	<u>865,080</u>

The bank facilities are secured by a debenture over all the assets of the company and a first legal charge over the investment properties owned by the company.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

17 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	18	25,894	23,223
		<u>25,894</u>	<u>23,223</u>

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	3,176	2,896
Investment properties	22,718	20,327
	<u>25,894</u>	<u>23,223</u>

There were no deferred tax movements in the year.

19 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	19,881	17,620
	<u>19,881</u>	<u>17,620</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

20 Share-based payment transactions

As at the year ended 30 June 2020, the company had one equity-settled share-based payment arrangements with an employee, which is detailed below.

Enterprise Management Incentive ("EMI") Scheme

Date of Grant: 27 June 2011

Number Granted: 34.

Contractual Life: 10 years.

Vesting requirements: There are no vesting conditions attached to the share options.

The exercise price of each share option granted is £1,600.

At 30 June 2020, these share options were outstanding and exercisable.

21 Share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
200 Ordinary shares of £1 each	200	200
90 Ordinary 'A' shares of £1 each	90	90
	<hr/>	<hr/>
	290	290
	<hr/>	<hr/>

The ordinary 'A' shares were issued at £1,600 each but only £1 per share called up.

Both the ordinary shares and ordinary "A" shares rank pari passu.

22 Government Grants

Government grants, which include amounts received under the Coronavirus Job Retention Scheme, are recognised at the fair value of the grant received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. The income is recognised in other income on a systematic basis over the periods in which the associated costs are incurred, using the accrual model.

23 Financial commitments, guarantees and contingent liabilities

The company has given a guarantee in favour of HM Revenue & Customs for £400,000 in relation to duties as part of the company's international trade.

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

24 Operating lease commitments

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2020 £	2019 £
Within one year	75,775	61,625
Between two and five years	43,753	37,551
	<u>119,528</u>	<u>99,176</u>

25 Related party transactions

At 30 June 2020, the company owed £1,158,259 (2019: £1,158,259) to AAK Enterprises Limited, a company controlled by a director of the company.

At 30 June 2020, the company owed £68,979 (2019: £74,021) to one director and £4,697 to another director of the company (2019: £72,031 owed by the director to the company).

At 30 June 2020, there are expense claims of £1,500 (2019: £1,500) included within accruals owed to a director.

26 Controlling party

The director, M I Kindler is the controlling party by virtue of his shareholding in the issued ordinary share capital of the company.

27 Cash generated from operations

	2020 £	2019 £
Profit/(loss) for the year after tax	168,640	(143,899)
Adjustments for:		
Taxation charged/(credited)	44,712	(16,705)
Finance costs	28,742	37,473
Investment income	(1,905)	(3,890)
Fair value gains and losses on foreign exchange contracts and investment properties	-	235,000
Depreciation and impairment of tangible fixed assets	3,787	3,393
Movements in working capital:		
Decrease/(increase) in stocks	1,179,842	(597,377)
(Increase) in debtors	(24,143)	(118,155)
(Decrease)/increase in creditors	(1,316,703)	482,616
Cash generated from/(absorbed by) operations	<u>82,972</u>	<u>(121,544)</u>

AAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

28 Analysis of changes in net debt

	1 July 2019 £	Cash flows £	30 June 2020 £
Cash at bank and in hand	360,173	548,224	908,397
Other bank facilities	(865,080)	(635,552)	(1,500,632)
	<u>(504,907)</u>	<u>(87,328)</u>	<u>(592,235)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.