

Hedley & Company Stockbrokers Limited

Annual Report and Financial Statements

Year Ended

31 August 2020

Company Number 06355300



Hedley & Company Stockbrokers Limited

Company Information

Directors	N H Baldwin T J Scott I W Currie A M Hedley
Company secretary	N H Baldwin
Registered number	06355300
Registered office	19 Trident Park Blackburn Lancashire BB1 3NU
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Hedley & Company Stockbrokers Limited

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Hedley & Company Stockbrokers Limited

Strategic Report For the Year Ended 31 August 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 August 2020.

Business review

Turnover fell from £1,465,675 in the year to 31 August 2020 to £1,451,787 in the current year. The fall in turnover was expected due to a change in revenue split to a greater shift in fee based income. Operating margins increased from £108,929 to £154,304 reflecting a more realistic turnover on the cost base. The directors will continue to look for opportunities to strengthen the business and to manage costs against more challenging trading conditions.

Principal risks and uncertainties

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to interest rate risks. Its policy is to finance working capital through retained earnings where necessary.

The directors believe that the principal risks and uncertainties facing the business are the retention of customers and the regulatory environment.

The company has a large number of clients and makes continued efforts to ensure that it offers a good service to its customers to increase the retention rate.

To ensure regulatory compliance, the company employs suitably qualified individuals to ensure that all relevant guidelines are followed. The company also make use of consultants and other bodies where necessary to ensure compliance.

Key performance indicators

The company believe that its key performance indicators are revenue, operating profit and the level of reserves held within the business.

All indicators are reviewed on a monthly basis by the board of directors and actions are taken where necessary to ensure that these are in line with set budgets.

COVID-19

At the time of writing this report, both the UK and the World are facing huge challenges with fighting the COVID-19 pandemic and the economic uncertainty that has been created. During this period, the company has continued to provide stock broking facilities and the directors are committed to ensuring employee's safety and wellbeing whilst also continuing operating to meet customer demand. The Cash position is healthy with a strong supplier network which the directors are confident will help the group through this difficult period.

Although the impact of COVID-19 is not yet fully known, the directors have taken steps to mitigate the effects of COVID-19. The business has been reshaped to manage the situation and ensure its longer term objectives can be met. The Government have made it clear that they will do whatever it takes to support the economy and the company is well placed to take advantage of the Government Support available.

This report was approved by the board on

3/DEC/20

and signed on its behalf.



N H Baldwin
Director

Hedley & Company Stockbrokers Limited

Directors' Report For the Year Ended 31 August 2020

The directors present their report together with the audited financial statements for the year ended 31 August 2020.

Principal activity

The principal activity of the company is stockbroking and the company is regulated and authorised by the Financial Conduct Authority.

In relation to this registration the company has to comply with the disclosure requirement of Pillar 3 of Basel II, which relates to market discipline and aims to make firms more transparent by requiring them to publish specific details of their risks, under the Basel II framework. A copy of the latest report is available upon request from the registered office.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 1 of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £122,052 (2019 - £86,156).

A dividend of £108,211 was paid in the year (2019 - £134,080).

Going concern

The 2020 economic climate remains difficult and due to the impact of COVID-19 uncertain. However based on the available information on the future and the mitigating actions taken by the company, the directors consider that the company has the plans and resources to manage its business risks while it remains fundamentally financially strong.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue their operations for the foreseeable future. For that reason they continue to adopt the going concern basis in preparing the accounts.

Directors

The directors who served during the year were:

N H Baldwin
T J Scott
I W Currie
A M Hedley

Future developments

The directors continued strength in revenue streams and would expect improved operating profitability since the custodian migration.

Disclosure of Information to auditor

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

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

Hedley & Company Stockbrokers Limited

Directors' Report (continued)
For the Year Ended 31 August 2020

Auditor

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

This report was approved by the board on 3/DEC/20 and signed on its behalf.



N H Baldwin
Director

Hedley & Company Stockbrokers Limited

Directors' Responsibilities Statement For the Year Ended 31 August 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Hedley & Company Stockbrokers Limited

Independent Auditor's Report to the Members of Hedley & Company Stockbrokers Limited

Opinion

We have audited the financial statements of Hedley & Company Stockbrokers Limited ("the company") for the year ended 31 August 2020 which comprise the statement of comprehensive income, the statement of financial position, 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 Financial Reporting Standard 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 31 August 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.

Hedley & Company Stockbrokers Limited

Independent Auditor's Report to the Members of Hedley & Company Stockbrokers Limited (continued)

Other information

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

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 the audit:

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

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 directors' report.

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

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

Hedley & Company Stockbrokers Limited

Independent Auditor's Report to the Members of Hedley & Company Stockbrokers Limited (continued)

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

3 December 2020

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

Hedley & Company Stockbrokers Limited

Statement of Comprehensive Income For the Year Ended 31 August 2020

	Note	2020 £	2019 £
Turnover	4	1,451,787	1,465,675
Administrative expenses		(1,324,666)	(1,356,746)
Other operating income	5	27,183	-
Operating profit	6	154,304	108,929
Dividends income	10	4,693	-
Loss on disposal of investments		(3,840)	-
Profit before tax		155,157	108,929
Tax on profit	11	(33,105)	(22,773)
Profit for the financial year		122,052	86,156
Other comprehensive income		-	-
Total comprehensive income for the year		122,052	86,156

The notes on pages 12 to 26 form part of these financial statements.

Hedley & Company Stockbrokers Limited

Registered number: 06355300

Statement of Financial Position As at 31 August 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	13		5,287		9,523
Tangible assets	14		88,104		94,991
Investments	15		47,709		41,513
			<u>141,100</u>		<u>146,027</u>
Current assets					
Debtors: amounts falling due within one year	16	296,806		299,959	
Cash at bank and in hand		208,343		173,536	
		<u>505,149</u>		<u>473,495</u>	
Creditors: amounts falling due within one year	17	168,566		160,829	
Net current assets			<u>336,583</u>		<u>312,666</u>
Total assets less current liabilities			<u>477,683</u>		<u>458,693</u>
Provisions for liabilities					
Deferred tax	19		(8,573)		(3,424)
Net assets			<u>469,110</u>		<u>455,269</u>
Capital and reserves					
Called up share capital	20		390,000		390,000
Capital redemption reserve	21		20,000		20,000
Treasury shares	21		(500)		(500)
Profit and loss account	21		59,610		45,769
Total equity			<u>469,110</u>		<u>455,269</u>

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



N H Baldwin
Director

The notes on pages 12 to 26 form part of these financial statements.

Hedley & Company Stockbrokers Limited

Statement of Changes in Equity For the Year Ended 31 August 2020

	Called up share capital £	Capital redemption reserve £	Treasury shares £	Profit and loss account £	Total equity £
At 1 September 2019	390,000	20,000	(500)	45,769	455,269
Comprehensive income for the year					
Profit for the year	-	-	-	122,052	122,052
Total comprehensive income for the year	-	-	-	122,052	122,052
Contributions by and distributions to owners					
Dividends paid - Ordinary	-	-	-	(85,411)	(85,411)
Dividends paid - Preference	-	-	-	(22,800)	(22,800)
Total transactions with owners	-	-	-	(108,211)	(108,211)
At 31 August 2020	390,000	20,000	(500)	59,610	469,110

Statement of Changes in Equity For the Year Ended 31 August 2019

	Called up share capital £	Capital redemption reserve £	Treasury shares £	Profit and loss account £	Total equity £
At 1 September 2018	410,000	-	-	138,193	548,193
Comprehensive income for the year					
Profit for the year	-	-	-	86,156	86,156
Total comprehensive income for the year	-	-	-	86,156	86,156
Contributions by and distributions to owners					
Dividends paid - Ordinary	-	-	-	(112,780)	(112,780)
Dividends paid - Preference	-	-	-	(21,300)	(21,300)
Purchase of own shares	-	-	(500)	(44,500)	(45,000)
Shares cancelled during the year	(20,000)	20,000	-	-	-
Total transactions with owners	(20,000)	20,000	(500)	(178,580)	(179,080)
At 31 August 2019	390,000	20,000	(500)	45,769	455,269

The notes on pages 12 to 26 form part of these financial statements.

Hedley & Company Stockbrokers Limited

Statement of Cash Flows For the Year Ended 31 August 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	122,052	86,156
Adjustments for:		
Amortisation of intangible assets	4,236	3,175
Depreciation of tangible assets	17,245	15,491
Taxation charge	33,105	22,773
Decrease in debtors	3,153	13,441
Increase/(decrease) in creditors	1,397	(19,246)
Corporation tax paid	(21,616)	(54,635)
Net fair value movement recognised	-	2,184
Gain on sale of investments	-	127
Dividends received	(4,693)	-
Net cash generated from operating activities	<u>154,879</u>	<u>69,466</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(12,698)
Purchase of tangible fixed assets	(10,358)	(87,651)
Purchase of listed investments	(47,688)	(117,465)
Sale of listed investments	42,683	92,097
Purchase of unlisted investments	(1,191)	-
Dividends received	4,693	-
Net cash from investing activities	<u>(11,861)</u>	<u>(125,717)</u>
Cash flows from financing activities		
Purchase of own shares	-	(45,000)
Dividends paid	(108,211)	(134,080)
Net cash used in financing activities	<u>(108,211)</u>	<u>(179,080)</u>
Net increase/(decrease) in cash and cash equivalents	<u>34,807</u>	<u>(235,331)</u>
Cash and cash equivalents at beginning of year	173,536	408,867
Cash and cash equivalents at the end of year	<u><u>208,343</u></u>	<u><u>173,536</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>208,343</u></u>	<u><u>173,536</u></u>

The notes on pages 12 to 26 form part of these financial statements.

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

1. General Information

Hedley & Company Stockbrokers Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

In preparing these financial statements, the directors are required to prepare the financial statements and the going concern basis unless it is inappropriate to assume that the company will continue in business. In satisfaction of this responsibility the directors have considered the company's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

Due to the current environment arising from the global pandemic, management have made an assessment of the likely impact of COVID-19 on the company based on latest available information and government guidance. This assessment has looked at the likely duration of the crisis as well as the sales that could be expected to be generated during an extended lockdown period.

The company has not experienced any significant disruption from employee absence, supply chain or platform services and none is anticipated in the foreseeable future.

During this period of uncertainty, the directors have taken steps to mitigate the effects of COVID-19. The business has been reshaped to manage the situation and ensure its longer term objectives can be met. The Government have made it clear that they will do whatever it takes to 'support' the economy and the company is well placed to take advantage of the Government support available.

At the current time, the company is trading well against forecasts prepared but the directors acknowledge that 'there may be a reduction or delay' in revenue over the coming months due to the prevailing economic conditions. Stress testing has been conducted and considered, taking into account the potential business disruptions and reductions in revenue over the coming months.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

2. Accounting policies (continued)

2.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Commission and fee income forms the material area of revenue of the company. Commission income is recognised when trades have been completed and fee income is recognised when the work to which it relates has been carried out.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.5 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- 6.67% per annum
Fixtures & fittings	- 15 - 20% per annum
Computer software	- 33% per annum
Computer equipment	- 33% per annum

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

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

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

2. Accounting policies (continued)

2.6 Valuation of Investments

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period.

2.7 Debtors

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

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

2.10 Creditors

Short term creditors are measured at the transaction price.

2.11 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.12 Operating leases: the company as lessee

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

2.13 Pensions

Defined contribution pension plan

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

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

2.14 Dividends

Equity dividends are recognised when they become legally payable.

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

2. Accounting policies (continued)

2.15 Current and deferred taxation

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

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

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

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

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

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

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

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14)

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

- Investments (see note 15)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments at fair value through profit and loss. In determining this amount, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

Listed investments are valued at the quoted bid price at the reporting date. Unquoted investments are valued using a price/earnings multiple methodology. The relevant price/earnings multiple is determined by reference to those applying to quoted companies in similar industries after adjustment for the reduced liquidity of unquoted companies. This multiple is then applied to the earnings of the investee company in the period, after adjustments for one-off unusual income or expenditure in the period.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

5. Other operating income

	2020 £	2019 £
Government grants receivable	27,183	-

The Government grants received in the year relate to CJRS grant and local council grant received in the year.

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	17,245	15,491
Amortisation of intangible fixed assets	4,236	3,175
Other operating lease rentals	28,650	28,211

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	10,000	10,000

Fees payable to the company's auditor and its associates in respect of:

Audit-related assurance services	900	900
Taxation compliance services	2,575	2,050
Accounting services	600	600
	4,075	3,550

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Notes to the Financial Statements For the Year Ended 31 August 2020

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	519,220	516,077
Social security costs	45,185	44,243
Cost of defined contribution scheme	15,021	12,753
Termination payments	-	30,000
	<u>579,426</u>	<u>603,073</u>

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

	2020 No.	2019 No.
Employees	<u>19</u>	<u>19</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	115,410	125,904
Company contributions to defined contribution pension schemes	3,600	3,600
	<u>119,010</u>	<u>129,504</u>

During the year retirement benefits were accruing to 4 directors (2019 - 4) in respect of defined contribution pension schemes.

The directors deem the emoluments disclosed above to be the same total compensation paid to key management personnel of the entity.

10. Income from investments

	2020 £	2019 £
Dividends received	<u>4,693</u>	<u>-</u>

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	31,557	21,616
Adjustments in respect of prior periods	(3,601)	961
Total current tax	27,956	22,577
Deferred tax		
Origination and reversal of timing differences	(330)	66
Adjustments in respect of prior periods	4,542	130
Effect of tax rate change on opening balance	937	-
Total deferred tax	5,149	196
Taxation on profit on ordinary activities	33,105	22,773

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	155,157	108,929
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	29,480	20,697
Effects of:		
Fixed asset differences	1,754	919
Expenses not deductible for tax purposes	885	74
Income not taxable for tax purposes	(892)	-
Adjustments to tax charge in respect of previous periods	(3,601)	961
Adjustments to tax charge in respect of previous periods - deferred tax	4,542	130
Adjust closing deferred tax to average rate of 19%	-	(403)
Adjust opening deferred tax to average rate of 19%	-	395
Remeasurement of deferred tax for changes in tax rates	937	-
Total tax charge for the year	33,105	22,773

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

11. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2020 £	2019 £
6% preference shares		
Accrued	22,800	22,800
£1 ordinary 'A' shares		
Paid	85,411	111,280
	<u>108,211</u>	<u>134,080</u>

Post year end the directors declared and paid dividends of £Nil (2019 - £Nil) in respect of the 2019/20 year end.

13. Intangible assets

	Technology asset £
Cost	
At 1 September 2019	12,698
At 31 August 2020	<u>12,698</u>
Amortisation	
At 1 September 2019	3,175
Charge for the year	4,236
At 31 August 2020	<u>7,411</u>
Net book value	
At 31 August 2020	<u>5,287</u>
At 31 August 2019	<u>9,523</u>

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

14. Tangible fixed assets

	Computer equipment £	Computer software £	Fixtures & fittings £	Leasehold improvements £	Total £
Cost					
At 1 September 2019	52,661	26,950	4,118	85,851	169,580
Additions	358	10,000	-	-	10,358
At 31 August 2020	<u>53,019</u>	<u>36,950</u>	<u>4,118</u>	<u>85,851</u>	<u>179,938</u>
Depreciation					
At 1 September 2019	49,287	19,861	1,218	4,223	74,589
Charge for the year	1,281	8,988	943	6,033	17,245
At 31 August 2020	<u>50,568</u>	<u>28,849</u>	<u>2,161</u>	<u>10,256</u>	<u>91,834</u>
Net book value					
At 31 August 2020	<u>2,451</u>	<u>8,101</u>	<u>1,957</u>	<u>75,595</u>	<u>88,104</u>
At 31 August 2019	<u>3,374</u>	<u>7,089</u>	<u>2,900</u>	<u>81,628</u>	<u>94,991</u>

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

15. Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
Cost or valuation			
At 1 September 2019	40,597	11,359	51,956
Additions	47,688	1,191	48,879
Disposals	(37,713)	-	(37,713)
Revaluations	(4,970)	-	(4,970)
At 31 August 2020	45,602	12,550	58,152
Impairment			
At 1 September 2019	-	10,443	10,443
At 31 August 2020	-	10,443	10,443
Net book value			
At 31 August 2020	45,602	2,107	47,709
At 31 August 2019	40,597	916	41,513

16. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	26,837	32,658
Other debtors	205,215	215,277
Prepayments and accrued income	64,754	52,024
	296,806	299,959

All amounts shown under debtors fall due for payment within one year.

The impairment loss recognised in the statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £4,234 (2019 - credit of £3,693).

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

17. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	17,057	-
Corporation tax	27,999	21,659
Other taxation and social security	58,876	62,566
Other creditors	19,873	42,753
Accruals and deferred income	44,761	33,851
	<u>168,566</u>	<u>160,829</u>

18. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	45,602	40,597
Financial assets that are debt instruments measured at amortised cost	442,502	422,951
	<u>488,104</u>	<u>463,548</u>

Financial liabilities

Financial liabilities measured at amortised cost	<u>(76,403)</u>	<u>(76,604)</u>
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Financial assets measured at fair value comprise listed investments.

Financial assets that are debt instruments measured at amortised cost comprise cash balances and trade and other debtors.

Financial liabilities measured at amortised cost comprise trade and other creditors and accruals.

19. Deferred taxation

	2020 £
At beginning of year	3,424
Charged to profit or loss	5,149
At end of year	<u>8,573</u>

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	9,057	3,911
Short term timing differences	(484)	(487)
	<u>8,573</u>	<u>3,424</u>

20. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
380,000 6% preference shares of £1 each	380,000	380,000
2,375 £1 ordinary 'A' shares of £1 each	2,375	2,375
2,375 £1 ordinary 'B' shares of £1 each	2,375	2,375
2,375 £1 ordinary 'C' shares of £1 each	2,375	2,375
500 £1 ordinary 'D' shares of £1 each	500	500
2,375 £1 ordinary 'E' shares of £1 each	2,375	2,375
	<u>390,000</u>	<u>390,000</u>

All classes of ordinary shares carry the same rights.

The preference shares are non-cumulative, non-redeemable and attract a dividend of 6% if the company has sufficient reserves.

21. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

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

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Treasury shares

Treasury shares contain the nominal value of own shares that have been acquired by the company to hold for future re-issue.

Hedley & Company Stockbrokers Limited

Notes to the Financial Statements For the Year Ended 31 August 2020

22. Pension commitments

The company does not operate a pension scheme for its employees. The pension cost charge represents contributions payable by the company to individual pension schemes and amounted to £15,021 (2019 - £12,753). Contributions totalling £2,544 (2019 - £2,863) were payable to these funds at the reporting date and are included in creditors.

23. Commitments under operating leases

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

	2020 £	2019 £
Not later than 1 year	28,968	28,325
Later than 1 year and not later than 5 years	10,500	25,475
	<u>39,468</u>	<u>53,800</u>

24. Related party transactions

During the year the company paid rent of £12,500 (2019 - £12,500) for a property owned by the directors' pension scheme, Guardian Pension Consultants Ltd. An amount of £293 (2019 - £147) was also charged for property insurance, of which an amount of £Nil (2019 - £Nil) was outstanding at year end.

During the year the company paid dividends to directors as disclosed in note 12.

The directors believe the amounts disclosed in note 9 are equivalent to the remuneration of key management personnel.

25. Controlling party

In the opinion of the directors there is no overall controlling party other than the directors acting in unison.