

COMPANY REGISTERED NO: 3604992

PARENT COMPANY ACCOUNTS
TO BE FILED WITH
ANAAASH HOLDINGS LTD
COMPANY NO 6536428

MOTOR PARTS DIRECT LIMITED
STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
for the
YEAR ENDED 31ST DECEMBER 2019

WEDNESDAY



A9KINY9C

A14

23/12/2020

#527

COMPANIES HOUSE

STRATEGIC REPORT

YEAR ENDED 31ST DECEMBER 2019

The directors present their strategic report the year ended 31st December 2019.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The group's principal activities during the year continued to be the wholesaling of motor vehicle components and accessories as well as the making of commercial property investment and letting.

The directors are pleased to report profit for the year in spite of a more challenging environment and continued unrelenting competition from similar businesses.

Throughout 2019 markets have been impacted by several factors including the monetary policy decisions of the Bank of England as a result of Brexit delays and increasing trading tensions between US and China. The heightened political uncertainty in the UK and Europe over the Brexit question has continued to present even greater challenges.

Restrictions in supply of new cars caused by the introduction of WLTP emissions regime has resulted in an increase in used vehicle sales. This directors consider that this will lead to a direct positive impact on the company's core business and it is expected that sales will continue to improve in 2020 and beyond.

The group's main bankers, Lloyds bank plc, have been very supportive throughout and this in turn has contributed to the smooth transition of the new amalgamated businesses.

The group continues to seek opportunities to reduce costs and expand its activities through organic growth, acquisition of other motor factors facing difficulties and opening new greenfield sites.

The directors are regularly reviewing potential acquisitions and intend to exploit, where possible, any which meet the commercial and financial criteria set by the board. The company also continued with its expansion plan by opening 15 new branches during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's activities are subject to risk, the key risk factor being competition in the market place.

Competition risk is being managed through the careful acquisition of similar business which find themselves in financial difficulties and unable to compete with their more successful rivals. By amalgamating the businesses of the acquired entities with that of the parent, the group is able to take measures to reduce duplication in overhead costs and improve buying terms with its suppliers in order to return the amalgamated businesses to profitability.

The group's financial instruments comprise bank balances, bank loan and overdraft, invoice discounting, lease finance, trade debtors and trade creditors.

Due to the nature of the financial instruments used by the group, there is little or no exposure to price risk. The main risk arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and these are summarised below. These policies have remained unchanged from previous years and aim to ensure that sufficient working capital exists and to monitor the management of risk at a business unit level.

Interest rate risk

The group borrows from its bankers using either invoice discounting, overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates.

STRATEGIC REPORT

YEAR ENDED 31ST DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all financial obligations, the group has revolving credit facilities available. Given the maturity of the bank loans (as indicated in the notes to the financial statements), the group is in a position to meet its commitments and obligations as they come due.

Trade creditors liquidity risk is managed by ensuring funds are available to meet amounts due to suppliers and through the availability of credit facilities.

Customer credit risk

The group offers credit terms to its customers which allows payment of the debt after delivery of the goods. The group is at risk to the extent that a customer may be unable to pay the debt by the specified due date. This risk is mitigated by the strong on-going customer relationships.

KEY PERFORMANCE INDICATORS - FINANCIAL AND NON FINANCIAL

The directors monitor the performance of the group by reference to key performance indicators and cash flow.

The key financial and other performance indicators during the year were as follows:

	2019	2018	Change%
Turnover	100,559,949	90,358,328	11.29%
Operating profit - before interest	3,689,012	5,702,404	(35.31%)
Profit after taxation	2,549,995	4,058,269	(37.16%)
Equity shareholders' funds	19,430,545	16,880,550	15.10%
Current assets as a % of current liabilities ('quick ratio')	141.20%	135.40%	4.28%
Average number of employees	1302	1123	15.94%

As a prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.

Turnover growth success has largely been due to organic growth and the opening of 15 new branches during the year.

Total operating profit decreased by 35.3%. This to a large extent this is attributed to the increase in -

- wage costs largely attributable to a full year wage cost relating to the 24 new branches opened in 2018 and a further rise attributed to the 15 new branches opened in 2019; and
- accommodation expenses directly as a result of an increase in the number of new branches in the current and previous year; and
- motoring costs through increasing the fleet size once again attributed to the opening of new branches in the current and previous year.

Other overhead costs have shown modest inflationary increases largely due to the addition of new branches but these are constantly kept under review through cost saving exercises and managements continued efforts in maintaining efficiency in the delivery of its products and services.

STRATEGIC REPORT

YEAR ENDED 31ST DECEMBER 2019

The group's current ratio has improved slightly as a result of increased stock levels.

Shareholder funds increased by 15.1% due to an increase in retained earnings.

The group also monitors its performance by tracking other non-financial indicators which the directors believe are important to monitor the growth of the business.

Approved by the Board on)
23rd November 2020 and)
signed on its behalf by:)



Mukesh Shah (Chairman)

DIRECTORS' REPORT**YEAR ENDED 31ST DECEMBER 2019**

The directors present their report and financial statements for the year ended 31st December 2019.

PRINCIPAL ACTIVITIES

The group's principal activities during the year continued to be the wholesaling of motor vehicle components and accessories as well as the making of commercial property investment and letting.

DIRECTORS

The executive directors who held office during the year were:

Mukesh Shah
Kiran Shah
Ninna Shah
Priyen Shah
Darshni Shah
Neeta Shah
Sagar Shah

DIVIDENDS

No dividends have been paid or are proposed (2018: Nil).

EMPLOYEES

The parent company and group's people, its culture and its values are at the heart of the group's strategy and the directors believe this to be a source of its competitive advantage. The group endeavours to create a workplace that is both welcoming and challenging for all employees. The group values diversity in its workforce and works to ensure that the group is inclusive of all people, regardless of their background or style. To enhance diversity, the group aims to create opportunities that are attractive to a wide range of candidates, including those with disabilities.

Employee involvement

The group regularly communicates with employees in many ways including regular briefings by management, face to face meetings during performance appraisals and regional managers board meetings.

Employment of disabled persons

The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

It is the policy of the group to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

ENVIRONMENTAL POLICIES

The group regularly monitors its fleet with particular regard to mpg and emissions. The policy on new vehicles is driven by those vehicles that are proven to be more efficient and therefore 'greener'.

All staff are aware of the group's commitment to recycling and are involved in the sorting of the group's waste material in order to maximise this.

DIRECTORS' REPORT**YEAR ENDED 31ST DECEMBER 2019****FUTURE DEVELOPMENTS**

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years. They consider that the next year will show a further growth in sales from continuing operations.

FINANCIAL INSTRUMENTS

Details of the financial instruments are provided in the Strategic Report on page 1.

GOING CONCERN

The group's business activities, together with factors likely to affect its future development, its financial position, risk management objectives, details of its financial instruments and its exposure to price, credit, interest rate and liquidity risk are described in the Strategic Report on pages 1 and 2.

The group has considerable financial resources and as a consequence the directors believe that the group is well placed to manage its business risks in spite of relentless competition in the market place.

As a result of the escalating impact of coronavirus in the UK, the board concluded that it must take urgent action to protect the business and most importantly the health and safety and well being of its employees and customers during this critical period.

The government support of 100% rates relief has been secured across 92 branches. Negotiations are still under way with the remaining branches.

The group also managed to secure grants up to £515k - the maximum benefit the business was permitted to accrue under the EU state aid rule limits.

Approximately 800 staff were furloughed following the introduction of lockdown measures and these numbers have since dropped to approximately 160 by the end of August 2020.

Almost all branches were kept open to ensure that supplies to key workers were maintained. Although sales revenues dropped by over £6.5m in total between March, April and May 2020, these have shown substantial increases of well over 26% from June onwards in comparison to the same period in 2019.

A coronavirus large business interruption loan of £3.4m for a term of 3 years was secured from Lloyds bank in June 2020.

In addition the group has commenced renegotiating lease terms with its landlords. Many short leases have been renewed by securing rent holidays and extending lease terms by 5 to 10 years. Most landlords have welcomed this move in these unprecedented times.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

POST BALANCE SHEET EVENTS

Since the balance sheet date, Motor Parts Direct opened 9 new branches and a further 10 openings are in the pipeline at various locations in the country.

DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2019


DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Messrs P R Shah & Co are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

Approved by the Board on)
23rd November 2020 and)
signed on its behalf by:)


Mukesh Shah (Chairman)

YEAR ENDED 31ST DECEMBER 2019

DIRECTORS' RESPONSIBILITY STATEMENT

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 the group and of the profit and loss of the company and the group for that period. In preparing those financial statements, the directors are required to -

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MOTOR PARTS DIRECT LIMITED**

We have audited the financial statements of Motor Parts Direct Limited for the year ended 31st December 2019 which comprise the group statement of income, group and parent company statement of financial position, group and parent company statement of changes in equity, group cash flow statement 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 group's and parent company's affairs as at 31st December 2018 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.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MOTOR PARTS DIRECT LIMITED**

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 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.

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 or the 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Auditors' responsibilities for the audit of the financial statements

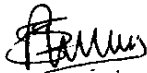
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MOTOR PARTS DIRECT LIMITED**

Use of this 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 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.



Pradip R Shah (Senior Statutory Auditor)
For and on behalf of P R Shah & Co (Statutory Auditors)
Chartered Certified Accountants
10 Bouverie Gardens, Kenton, Harrow, Middx HA3 0RQ

Date: 23rd November 2020

MOTOR PARTS DIRECT LIMITED

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31ST DECEMBER 2019

PAGE 9

		2019 £	2018 £
	Notes		
TURNOVER	4	100,559,949	90,358,328
Cost of sales		(57,392,533)	(51,709,472)
GROSS PROFIT		<u>43,167,416</u>	<u>38,648,856</u>
Distribution costs		(24,973,894)	(20,313,031)
Administrative expenses		(14,721,201)	(12,865,374)
Other operating income		216,691	231,953
Loss from changes in fair value of investment property		<u>-</u>	<u>-</u>
GROUP OPERATING PROFIT		3,689,012	5,702,404
Interest receivable and similar income	6	165,229	158,507
Interest payable and similar charges	6	(601,481)	(652,803)
Notional interest charge on sundry loan		(72,070)	(69,364)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>3,180,690</u>	<u>5,138,744</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	8 & 22	(630,695)	(1,080,475)
PROFIT FOR THE FINANCIAL YEAR		<u><u>2,549,995</u></u>	<u><u>4,058,269</u></u>

The profit for the financial year is all attributable to the owners of the parent

The notes on pages 14 to 29 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2019

	Notes	£	2019 £	£	2018 £
FIXED ASSETS					
Tangible assets	9a	9,687,092		9,118,544	
Investments	10a	6,187,148		6,187,148	
			15,874,240		15,305,692
CURRENTS ASSETS					
Stock	12	23,260,468		21,216,140	
Debtors	13a	20,002,089		19,402,277	
Cash at bank and in hand		66,972		305,985	
		43,329,529		40,924,402	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14a	(30,686,252)		(30,225,456)	
NET CURRENT ASSETS			12,643,277		10,698,946
TOTAL ASSETS LESS CURRENT LIABILITIES			28,517,517		26,004,638
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14c		(9,071,036)		(9,124,088)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	22a		(15,936)		-
NET ASSETS			19,430,545		16,880,550
CAPITAL AND RESERVES					
Called up share capital	15		1,000		1,000
Profit and loss account			19,196,029		16,573,964
Capital contribution			233,516		305,586
			19,430,545		16,880,550

Represented by:



Mukesh Shah (Director)

The notes on pages 14 to 29 form part of these financial statements

COMPANY REGISTERED NO: 3604992

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2019

	Notes	£	2019 £	£	2018 £
FIXED ASSETS					
Tangible assets	9b	9,671,362		9,118,544	
Investments	10a & 10b	<u>2,487,248</u>		<u>2,488,250</u>	
			12,158,610		11,606,794
CURRENTS ASSETS					
Stock	12	23,260,468		21,216,140	
Debtors	13b	19,284,834		19,680,564	
Cash at bank and in hand		36,869		29,542	
		<u>42,582,171</u>		<u>40,926,246</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14b	<u>(30,634,703)</u>		<u>(30,070,744)</u>	
NET CURRENT ASSETS			11,947,468		10,855,502
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>24,106,078</u>		<u>22,462,296</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14d		(4,820,030)		(4,945,152)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	22b		(15,621)		-
NET ASSETS			<u>19,270,427</u>		<u>17,517,144</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,000		1,000
Profit and loss account			19,269,427		17,516,144
			<u>19,270,427</u>		<u>17,517,144</u>

Represented by:



Mukesh Shah (Director)

The notes on pages 14 to 29 form part of these financial statements

COMPANY REGISTERED NO: 3604992

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	SHARE CAPITAL £	RETAINED EARNINGS £	CAPITAL CONTRIBUTION £	TOTAL £
Balance at 1st January 2017	1,000	12,446,331	-	12,447,331
Retained profit for the year	-	4,058,269	-	4,058,269
Capital contribution arising on restatement of subsidiary company sundry loan to present value	-	-	374,950	374,950
Transfer of notional interest charged to profit and loss on subsidiary undertaking sundry loan	-	69,364	(69,364)	-
Balance at 31st December 2017	1,000	16,573,964	305,586	16,880,550
Retained profit for the year	-	2,549,995	-	2,549,995
Transfer of notional interest charged to profit and loss on subsidiary undertaking sundry loan	-	72,070	(72,070)	-
Balance at 31st December 2018	1,000	19,196,029	233,516	19,430,545

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2019

	2019	2019	2018	2018
	SHARE CAPITAL £	PROFIT & AND LOSS ACCOUNT £	SHARE CAPITAL £	PROFIT & AND LOSS ACCOUNT £
Balance at 1st January 2018	1,000	17,516,144	1,000	13,364,761
Profit for the year	-	1,753,283	-	4,151,383
Balance at 31st December 2018	1,000	19,269,427	1,000	17,516,144

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 £	2018 £
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	24	4,171,316	1,632,907
INVESTING ACTIVITIES			
Interest received		165,229	158,507
Purchase of tangible fixed assets		(2,896,506)	(3,307,909)
Purchase of subsidiary undertakings		-	(357,196)
Sale of motor vehicles - proceeds		155,075	166,415
Sale of property - proceeds		245,000	-
Sale of plant and equipment - proceeds		-	7,000
Net cash flow from investing activities		(2,331,202)	(3,333,183)
FINANCING ACTIVITIES			
Interest and incidental financing costs paid		(485,840)	(572,092)
Interest element of hire purchase and lease rental payments		(115,641)	(80,711)
Repayment of hire purchase and lease finance		(2,527,604)	(1,677,703)
New hire purchase and lease finance contracts		3,703,440	3,374,620
New bank loans		-	2,331,000
Repayment of bank loans		(3,274,774)	(2,257,717)
Net cash flow from financing activities		(2,700,419)	1,117,397
DECREASE IN CASH & CASH EQUIVALENTS		(860,305)	(582,879)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(7,668,420)	(7,085,541)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	(8,528,725)	(7,668,420)

The notes on pages 29 and 30 form part of the consolidated statement of cash flows

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

1 COMPANY INFORMATION

Motor Parts Direct Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Unit 7 Optima Business Park, Pindar Road, Hoddesdon, Herts EN11 0DA.

2 BASIS OF PREPARATION

The financial statements of Motor Parts Direct Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Ireland' ('FRS 102') and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to fair value basis for certain financial instruments as specified in the accounting policies below.

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

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of Motor Parts Direct Limited and all its subsidiary undertakings drawn up to 31st December each year.

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £4,151,383 (2017: £3,722,937).

The company (in its own financial statements) has adopted the following disclosure exemptions:

Financial instrument disclosures, including - categories of financial instruments;
items of income, expenses, gains, losses relating to financial instruments; and
exposure to management and financial risks.

Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the company has adequate financial resources to settle its obligations as they fall due. The Board believes it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

3 PRINCIPAL ACCOUNTING POLICIES**Turnover**

Turnover is the total receivable by the group for goods supplied (excluding VAT, trade discounts and rebates) and rental income.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has passed to the buyer. This is usually the point that the customer has taken delivery of the stock.

Turnover from rental income is recognised on a receivable basis.

Employee benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

Investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Business combinations / intangible fixed assets - goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of the exchange) of assets given, liabilities incurred or assumed, and equity instruments (if any) issued by the group in exchange for control of the acquire plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill. Where the acquired subsidiaries trade and assets have subsequently been transferred to the parent undertaking or sold, the goodwill (including negative goodwill) is written off or taken to profit and loss immediately.

Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives at the following rates:

Freehold buildings	50 years
Computer equipment	20% - 33.33% straight line
Plant and other equipment	20% reducing balance
Motor vehicles	25% - 33.33% reducing balance

Investment properties

Certain of the parent company's and group's properties are held for long-term investment. Investment properties are accounted for as follows:

Investment properties are initially recognised at cost which includes purchase cost and any directly attributed expenditure.

Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is permanent, in which case it is recognised in the profit and loss account for the year.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31ST DECEMBER 2018****Stocks**

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Creditors

Short term trade creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Leases

Leases are classified as finance leases (including those under hire purchase) whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments) at the inception of the lease. The corresponding liability of the lessor is included on the statement of financial position as a hire purchase or finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under hire purchase or finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing differences.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Judgements and key sources of estimation / uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgement involving a degree of estimation has had the most significant effect on amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

Stock valuation - The method of valuation adopted is explained in more detail in note 12 to the financial statements.

4 TURNOVER ANALYSIS**2019**
£**2018**
£**a** Group turnover is attributable to the following classes of business:

Wholesaling of motor vehicle components and accessories	100,081,521	89,891,273
Rental income	478,428	467,055
	<u>100,559,949</u>	<u>90,358,328</u>

b Less than 0.5% of the turnover of the group is attributable to geographical markets outside the United Kingdom.**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION****2019**
£**2018**
£**This is stated after charging / (crediting):**

Directors' emoluments: Salaries and benefits	88,754	50,538
Pension contributions	380,000	270,000
Auditors' remuneration - audit fees	14,000	12,000
Depreciation of owned assets	926,092	823,780
Depreciation of assets acquired under hire purchase	1,084,864	635,771
Amortisation of goodwill arising on consolidation	-	357,196
Loss on disposal of tangible fixed assets	34,330	41,917
Profit on disposal of tangible fixed assets	(117,404)	-
Operating lease charges	3,161,936	2,894,416
Rental income	(210,755)	(223,444)
Hire of plant and equipment	24,378	36,238
	<u>601,481</u>	<u>652,803</u>
	<u>(165,229)</u>	<u>(158,507)</u>
	<u>436,252</u>	<u>494,296</u>

6 INTEREST PAYABLE / (RECEIVABLE)

Bank loan and invoice discounting interest	206,009	254,071
Other loans	280,900	245,987
Bank overdraft and late tax payment interest	(1,069)	7,706
Hire purchase and finance lease interest	115,641	80,711
Incidental loan financing charges	-	64,328
	<u>601,481</u>	<u>652,803</u>
	<u>(165,229)</u>	<u>(158,507)</u>
	<u>436,252</u>	<u>494,296</u>

Less: Interest receivable

7 EMPLOYEE INFORMATION**2019****2018****a** **NUMBER OF EMPLOYEES****Number****Number**

The average number of employees during the year, analysed by category, were:

Selling and distribution	1,148	977
Administration	154	146
	<u>1,302</u>	<u>1,123</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

b STAFF COSTS - EMPLOYEES & DIRECTORS

	2019	2018
	£	£
Aggregate payroll costs:		
Wages and salaries	23,728,708	19,533,082
Social security costs	1,658,220	1,370,750
Pension costs	859,605	509,921
Less: payroll costs recharged	(65,296)	(115,569)
	<u>26,181,237</u>	<u>21,298,184</u>

c During the year five directors (2017: five) participated in money purchase pension schemes.

d The amounts set out above include remuneration in respect of highest paid director as follows:

Emoluments	21,362	2,738
Pension contributions to money purchase schemes	80,000	75,000
	<u>101,362</u>	<u>77,738</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2019	2018
	£	£
Current taxation - U K corporation tax charge	568,024	1,087,685
Previous year (over) / under provision adjustment	(3,556)	(12,185)
Previous year deferred tax adjustment	3,524	12,027
Deferred tax charged / (released)	62,703	(7,052)
Total tax charge	<u>630,695</u>	<u>1,080,475</u>

9a TANGIBLE FIXED ASSETS (GROUP)

	Freehold and long leasehold premises	Computers & related electronic equipment	Plant & other equipment	Motor vehicles cars & vans	TOTAL
	£	£	£	£	£
Cost:					
Brought forward	3,887,722	1,100,241	5,358,026	5,625,213	15,971,202
Acquisitions in year	-	122,544	686,725	2,087,237	2,896,506
Disposals	(139,512)	-	-	(885,741)	(1,025,253)
Carried forward	<u>3,748,210</u>	<u>1,222,785</u>	<u>6,044,751</u>	<u>6,826,709</u>	<u>17,842,455</u>
Depreciation:					
Brought forward	262,971	871,384	2,990,556	2,727,747	6,852,658
Charge for year	62,764	141,578	550,802	1,255,812	2,010,956
Disposal adjustment	(11,916)	-	-	(696,335)	(708,251)
Carried forward	<u>313,819</u>	<u>1,012,962</u>	<u>3,541,358</u>	<u>3,287,224</u>	<u>8,155,363</u>
Net book value:					
31st December 2019	<u>3,434,391</u>	<u>209,823</u>	<u>2,503,393</u>	<u>3,539,485</u>	<u>9,687,092</u>
31st December 2018	<u>3,624,751</u>	<u>228,857</u>	<u>2,367,470</u>	<u>2,897,466</u>	<u>9,118,544</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

9b TANGIBLE FIXED ASSETS (COMPANY)

	Freehold and long leasehold premises £	Computers & related electronic equipment £	Plant & other equipment £	Motor vehicles cars & vans £	TOTAL £
Cost:					
Brought forward	3,887,722	1,100,241	5,358,026	5,625,213	15,971,202
Acquisitions in year	-	122,544	669,565	2,087,237	2,879,346
Disposals	(139,512)	-	-	(885,741)	(1,025,253)
Carried forward	3,748,210	1,222,785	6,027,591	6,826,709	17,825,295
Depreciation:					
Brought forward	262,971	871,384	2,990,556	2,727,747	6,852,658
Charge for year	62,764	141,578	549,372	1,255,812	2,009,526
Disposal adjustment	(11,916)	-	-	(696,335)	(708,251)
Carried forward	313,819	1,012,962	3,539,928	3,287,224	8,153,933
Net book value:					
31st December 2019	3,434,391	209,823	2,487,663	3,539,485	9,671,362
31st December 2018	3,624,751	228,857	2,367,470	2,897,466	9,118,544

9c Included within freehold and long leasehold properties is land valued at £610,000 (2018: £635,000) which is not depreciated.

All of the assets are pledged as security under fixed and floating charges as security for bank borrowings and those under hire purchase or finance lease as security under those lease contracts.

There were no capital commitments at balance sheet date.

Included within motor vehicles are assets with a net book value of £3,037,642 (2018: £2,298,293) being acquired under hire purchase finance contracts.

Included within plant and machinery are assets with a net book value of £144,304 (2018: £180,379) being acquired under hire purchase finance contracts.

10a INVESTMENTS

	GROUP £	COMPANY £
Freehold investment properties at fair value		
Balance at 1st January 2019	6,187,148	2,487,148
Fair value adjustment	-	-
Balance at 31st December 2019	6,187,148	2,487,148

A formal valuation of one investment property was undertaken in May 2018 with a view to securing new bank loan to replace the existing one. The market valuation was £3.7m and the directors consider that this valuation remains the same as at 31st December 2019. The fair value of the other investment properties remain unchanged and this was confirmed by a qualified external chartered surveyors. If the properties had not been revalued, these would have been included at their acquisition cost of £6,693,387 at both balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

10b INVESTMENT IN GROUP COMPANIES (COMPANY)

i. Companies Act exemptions under section 479A

The subsidiary company Cube Living Limited, company number 7143744 is claiming exemption under section 479A for the year ending 31st December 2018.

The subsidiary company Anaash Holdings Limited, company number 6536428 is claiming exemption under section 479A for the year ending 31st December 2018.

The subsidiary company S T Piercy Limited, company number 898892 is claiming exemption under section 479A for the year ending 31st December 2018.

- ii. These investments comprise a 100% interest in each of the following entities whose registered office is - Unit 7 Optima Business Park, Pindar Road, Hoddesdon, Herts EN11 0DY

a INVESTMENT IN CUBE LIVING LIMITED

£

£

Investment comprises a 100% interest of the company

Nature of business - Property investment comprising letting of student accommodation

Class of shares - 100 ordinary shares of £1 each

Cube Living itself is the parent of a wholly owned dormant subsidiary Anaash Holdings Ltd

Balance brought forward and carried forward

100

b INVESTMENT IN S T PIERCY LIMITED

Investment comprises a 100% acquisition of the company

Nature of business - Dormant entity

Class of shares - Ordinary £1 shares each
Deferred shares of £1 each
'B' Ordinary shares of £1 each
'C' Ordinary shares of £1 each

41,600
6,500
750
3,252

Balance brought forward and carried forward

-

c INVESTMENT IN J K MOTOR FACTORS LIMITED

Investment comprises a 100% acquisition of the company

Nature of business - Dormant entity

Class of shares - 2 ordinary shares of £1 each

Balance brought forward

2

Adjustment for diminution in value

(2)

-

Balance carried forward

100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

10b INVESTMENT IN GROUP COMPANIES (COMPANY)

Balance brought forward	100
-------------------------	-----

d INVESTMENT IN MID WALES MOTOR FACTORS LIMITED

Investment comprises a 100% acquisition of the company

Nature of business - Dormant entity

Class of shares - 1,000 ordinary shares of £1 each

Balance brought forward	1,000	
Adjustment for diminution in value	(1,000)	-
		<u>100</u>

11 INTANGIBLE FIXED ASSETS (GROUP)

	2019 £	2018 £
Goodwill Arising in the year	-	357,196
Amortisation Charge for year	-	(357,196)
Net book value	<u>-</u>	<u>-</u>

12 STOCK (GROUP & COMPANY)

	2019 £	2018 £
Goods for resale	<u>23,260,468</u>	<u>21,216,140</u>

Stock recognised in cost of sales during the year was £74,471,670 (2018: £66,826,986)

The total carrying amount of the stock is pledged as security for the company's bank borrowings.

The stock valuation calculation employed by the group is based on formulae which determines the number of years (stock turnover) it would take to sell a stock item and then applying appropriate percentage reductions to the category a stock item would fall into. Changes in order levels may move individual items into a different category from one year to another and this method of valuation may cause stock profits or losses to arise. The group is required to value stock on the basis of cost or net realisable value, whichever is the lower. Management is of the view that the method of valuation used achieves this very objective. The company takes the view that the details of the stock valuation must be kept under constant review in the light of all relevant factors, bearing in mind the need for consistency.

In view of the nature of the method of valuation, and comparing one year against the next, it is not possible to determine the amount, if any, of the impairment loss or the reversal of any impairment loss in an earlier year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

13a DEBTORS (GROUP)	2019	2018
	£	£
Trade debtors	10,438,916	8,751,467
Other debtors	2,897,285	4,686,878
Deferred tax asset	-	50,291
Prepayments and accrued income	6,665,888	5,913,641
	<u>20,002,089</u>	<u>19,402,277</u>

Trade debtors are pledged as security against invoice discounting finance facility

Other debtors are further analysed as follows:

Amounts falling due -		
within one year - staff / other loans	2,885,410	4,675,003
after one year - rent deposits	<u>11,875</u>	<u>11,875</u>

13b DEBTORS (COMPANY)	2019	2018
Trade debtors	10,438,916	8,751,467
Amount owed by group undertakings	-	836,507
Other debtors	2,207,285	4,141,680
Deferred tax asset	-	50,291
Prepayments and accrued income	6,638,633	5,900,619
	<u>19,284,834</u>	<u>19,680,564</u>

Trade debtors are pledged as security against invoice discounting finance facility

Other debtors are further analysed as follows:

Amounts falling due -		
within one year - staff and other loans	2,195,410	4,129,805
after one year - rent deposits	<u>11,875</u>	<u>11,875</u>

14a CREDITORS (GROUP)	2019	2018
AMOUNTS FALLING DUE WITHIN ONE YEAR	£	£
Bank loans - secured	120,000	3,274,774
Bank overdraft - secured	3,810,399	2,993,787
Invoice discounting finance - secured	4,785,298	4,980,618
Net obligation under hire purchase and finance lease contracts - secured	2,643,660	1,819,994
Other loans	3,942,292	1,020,266
Shareholder's / directors' loan account	2,279,270	3,407,509
Trade creditors	10,214,855	10,849,348
Current corporation tax	365,679	382,999
Other taxes and social security costs	1,474,499	850,804
Sundry creditors and accruals	1,050,300	645,357
	<u>30,686,252</u>	<u>30,225,456</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

14b CREDITORS (COMPANY)	2019	2018
AMOUNTS FALLING DUE WITHIN ONE YEAR	£	£
Bank loans - secured	120,000	3,274,774
Bank overdraft - secured	3,810,399	2,993,787
Invoice discounting finance - secured	4,785,298	4,980,618
Net obligation under hire purchase and finance lease contracts - secured	2,643,660	1,819,994
Other loans	3,942,292	1,020,266
Shareholder's / directors' loan account	2,279,270	3,407,509
Trade creditors	10,214,855	10,798,992
Current corporation tax	344,397	335,323
Other taxes and social security costs	1,474,499	828,152
Amount due to subsidiary undertakings	-	20,507
Sundry creditors and accruals	1,020,033	590,822
	<u>30,634,703</u>	<u>30,070,744</u>

14c CREDITORS (GROUP)	2019	2018
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	£	£
Bank loans - secured	2,901,000	3,021,000
Net obligation under hire purchase and finance lease contracts - secured	2,298,284	1,946,114
Shareholder's / directors' loan account	1,920,006	1,847,936
Other loans	1,951,746	2,309,038
	<u>9,071,036</u>	<u>9,124,088</u>

Bank loans repayable by instalments are as follows:

Within one year	120,000	3,274,774
Between one and two years	120,000	690,000
Between two and five years	2,661,000	2,331,000
	<u>2,901,000</u>	<u>6,295,774</u>

14d CREDITORS (COMPANY)	2019	2018
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	£	£
Bank loans - secured	570,000	690,000
Net obligation under hire purchase and finance lease contracts - secured	2,298,284	1,946,114
Other loans	1,951,746	2,309,038
	<u>4,820,030</u>	<u>4,945,152</u>

Bank loans repayable by instalments are as follows:

Within one year	120,000	3,274,774
Between one and two years	120,000	690,000
Between two and five years	330,000	-
	<u>570,000</u>	<u>3,964,774</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

14e CREDITORS (GROUP & COMPANY)

	2019 £	2018 £
Net obligations under hire purchase and finance lease contracts are repayable as follows:		
Within one year	2,643,660	1,819,994
Between one and five years	2,298,284	1,946,114
	<u>4,941,944</u>	<u>3,766,108</u>

- 14f** The bank loans and overdrafts are secured by way of a first legal charges over the freehold and long leasehold properties and by way of fixed and floating charges on all other assets.

The bank loans are with Lloyds bank plc. The majority of the loans are repayable by July 2026. The interest rate on these loans is current base plus margin of between 1.5% to 2%.

The invoice discounting finance facility which is under a receivables finance agreement with Lloyds Bank Commercial Finance Limited is secured by way of a fixed and floating charge against trade debtors as well as full guarantee and indemnities from the two directors, Messrs MZ & KZ Shah.

The hire purchase finance obligations are secured against the assets acquired under these contracts.

The other loans (which are from related parties) are as follows -

Unsecured loan of 750k from an offshore company under a trust settled by Ninna Shah's late father. This is repayable by 31st December 2024 (previously 31st December 2019) with interest payable at 6% per annum

Unsecured loans of £1.325m (2018: £1.325m) from offshore trusts settled by Ninna Shah. These are repayable by 31st December 2020 with interest payable at 6% per annum

A loan of £984,038 (2018: £1,254,304) from the MPD Pension Scheme repayable by annual instalments ending on 17th December 2022. Interest is charged at 10% per annum and with a charge over the shares in Motor Parts Direct Limited held by Mukesh and Kiran Shah.

Director and shareholder loans are interest free and repayable on demand.

15 ALLOTTED AND ISSUED SHARE CAPITAL

	2019 £	2018 £
Ordinary £1 shares each		
Allotted, called up and fully paid - 1,000 shares	<u>1,000</u>	<u>1,000</u>

16 RESERVES

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

Profit and loss account - includes all current and prior year retained profits and losses.

17 CONTROLLING PARTY

In view of the nature of the allocation of the shareholdings at the balance sheet date, no one individual shareholder controls the group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

18 PENSION COMMITMENTS (GROUP)

Total employer contributions to employee personal pension plans (including that under auto enrolment) and the employers small self administered scheme in the year amounted to £509,921 (2017: £714,208). Accrued employer contributions at the balance sheet date totalled £19,746 (2017: £9,529).

19 OPERATING LEASE COMMITMENTS (GROUP & COMPANY)

		2019 £	2018 £
Future minimum operating lease payments are as follows:			
Short leasehold premises	within one year	3,525,984	3,055,528
	in two and five years	12,079,381	10,836,883
	after five years:	<u>10,536,022</u>	<u>6,072,324</u>
Motor vehicles	within one year	28,743	32,063
	in two and five years	<u>14,313</u>	<u>43,056</u>

20 RELATED PARTY TRANSACTIONS & TRANSACTIONS INVOLVING DIRECTORS

- a The company was charged rent in the sum of £152,500 (2018: £152,500) during the year in respect of five properties owned by the two adult children of Mr Kiran Shah.
- b The parent company was charged rent in the sum of £485,031 respect of 18 properties (2018: £231,981 in respect of 14 properties) owned by an unquoted property investment company in which each of the directors of Motor Parts Direct have a 12.5% interest.
- c The parent company was charged rent in the sum of £15,000 (2018: £15,000) during the year in respect of one property owned by a charitable trust in which Messrs M Z & K Z Shah are trustees.
- d The parent company was charged a fee of £110k (2018: £110k) by Mrs Ninna Shah for the active management of the company's extensive rented property portfolio and for providing general bookkeeping and business consultancy services.
- e The parent company was charged rent in the sum of £203,004 in respect of 10 freehold properties (2018: £203,004 in respect of 10 freehold properties) owned jointly by the two directors, M Z & K Z Shah.
- f The parent company was charged rent in the sum of £927,500 (2018: £912,500) in respect of 17 (2018: 17 freehold) properties owned by an offshore company under a trust settled by Ninna Shah's late father.
- g The shareholders / directors loan account in note 14a and 14b relates to Messrs Mukesh and Kiran Shah. It is interest free.
- h The parent company has given a £550K (2018: £550k) guarantee on its subsidiary company's (Cube Living Ltd) bank loan which is also secured against that company's investment property. The bank also holds a charge over the company's shareholding in Cube Living Limited.
- i The parent company was owed £364,796 (2018 £344,148) by a property investment company in which Mukesh and Ninna Shah are directors and each of the directors of Motor Parts Direct Limited have a 12.5% interest in that company. Interest at the rate of 6% per annum is charged.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

20 RELATED PARTY TRANSACTIONS & TRANSACTIONS INVOLVING DIRECTORS - continued

- j The parent company was owed £849,325 (2018 £808,881) including interest by a property investment company in which Mukesh and Ninna Shah are directors and each of the directors of Motor Parts Direct Limited have a 12.5% interest in that company. Interest at the rate of 6% per annum is charged.
- k The parent company was charged consultancy fees in the sum of £245k with respect to its leasehold property portfolio by a UK property management company in which Mukesh Shah is a director and also holds a 48% interest in its shares together with his spouse, Ninna Shah.
- l The subsidiary undertaking was owed £300k by a property investment company. The directors of the subsidiary and some of the directors of the parent are also directors and shareholders of the borrowing company. The loan bears interest at 5% per annum and is repayable by 31st December 2021 (unless otherwise varied). Interest receivable in the sum of £22,875 (2018: £7,644) was accrued at the balance sheet date.
- m The subsidiary undertaking was owed £390k by a property investment company in which Mukesh and Ninna Shah are directors and each of the directors of Motor Parts Direct Limited have a 12.5% interest in that company. The loan bears interest at 5% per annum and is repayable by 31st December 2021 (unless otherwise varied). Interest receivable in the sum of £4,380 was accrued at the balance sheet date.
- n During the year the parent company advanced loans totalling £50k (2018: £555,770) to a trading entity in which Mukesh and Ninna Shah are directors and each have a 50% interest. Interest at the rate of 5% per annum is charged. The amount owed at the balance sheet date after repaying £1,139,395 was £977,242 (including accrued interest of £62,040 (2018: £2,054,597 including accrued interest of £84,065)).

In addition, the following transactions occurred in the year with that company -

	2019 £ NET	2018 £ NET	2019 £ OWED - GROSS (INC VAT)	2018 £
Charge by Motor Parts Direct (MPD) for supply of raw material stock, use of premises and equipment, staff costs and other overheads	218,124	402,895	1,968	142,322
Rent for 3 properties let to MPD	(77,500)	(55,726)	-	-
Purchase by MPD of refurbished stock for resale	(997,327)	(904,601)	(316,409)	(352,796)

21 FINANCIAL RISK MANAGEMENT

The group has exposure to two main areas of risk - credit risk and liquidity risk. To a lesser extent the group is exposed to interest rate risk.

Customer credit risk

The group offers credit terms to its customers which allows payment of the debt after delivery of the goods. The company is at risk to the extent that a customer may be unable to pay the debt by the specified due date. This risk is mitigated by the strong on-going customer relationships.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

21 FINANCIAL RISK MANAGEMENT - continued

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all financial obligations, the group has revolving credit facilities available. Given the maturity of the bank loans (as indicated in the note 14), the group is in a position to meet its commitments and obligations as they come due.

Trade creditors liquidity risk is managed by ensuring funds are available to meet amounts due to

Interest rate risk

The group borrows from its bankers using either invoice discounting, overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates.

22a DEFERRED TAX COMPUTATION AND PROOF OF TAX CHARGE (GROUP)

		2019		2018	
		TIMING DIFFERENCE	TAX EFFECT 19%	TIMING DIFFERENCE	TAX EFFECT 19%
		£	£	£	£
OPENING POSITION	Fixed assets -				
Accounts net book value		5,493,793		3,795,712	
Tax written down value		(5,758,484)		(4,142,137)	
		<u>(264,691)</u>	(50,291)	<u>(346,425)</u>	(65,821)
Adjustment for error in written down value brought forward		18,546	3,524	63,300	12,027
CURRENT YEAR MOVEMENTS					
Profit per accounts		3,180,690		5,138,744	
Permanent differences		53,077		556,340	
Assets transferred from subsidiaries at zero tax written down value		-		51,298	
Corporation tax should be borne on		<u>3,233,767</u>		<u>5,746,382</u>	
Corporation tax actually borne on		(2,903,749)		(5,727,948)	
		<u>330,018</u>	62,703	<u>18,434</u>	3,503
TOTALS		<u>83,873</u>	15,936	<u>(264,691)</u>	(50,291)
CLOSING POSITION	Fixed assets -				
Accounts net book value		6,252,701		5,493,793	
Tax written down value		(6,168,828)		(5,758,484)	
		<u>83,873</u>	15,936	<u>(264,691)</u>	(50,291)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

**22b DEFERRED TAX COMPUTATION AND PROOF OF TAX CHARGE
(COMPANY)**

		2019		2018
	TIMING DIFFERENCE £	TAX EFFECT 19% £	TIMING DIFFERENCE £	TAX EFFECT 19% £
OPENING POSITION	Fixed assets -			
Accounts net book value	5,493,793		3,795,712	
Tax written down value	(5,758,484)		(4,142,137)	
	<u>(264,691)</u>	(50,291)	<u>(346,425)</u>	(65,821)
Adjustment for error in tax written down value brought forward	18,546	3,524	63,300	12,027
CURRENT YEAR MOVEMENTS				
Profit per accounts	2,362,380		5,204,955	
Permanent differences	763,311		289,792	
Assets transferred from subsidiaries at zero tax written down value	-		51,298	
Corporation tax should be borne on	<u>3,125,691</u>		<u>5,546,045</u>	
Corporation tax actually borne on	(2,797,333)		(5,527,611)	
	<u>328,358</u>	62,388	<u>18,434</u>	3,503
TOTALS	<u>82,213</u>	<u>15,621</u>	<u>(264,691)</u>	<u>(50,291)</u>
CLOSING POSITION	Fixed assets -			
Accounts net book value	6,236,971		5,493,793	
Tax written down value	(6,154,758)		(5,758,484)	
	<u>82,213</u>	<u>15,621</u>	<u>(264,691)</u>	<u>(50,291)</u>

22c DEFERRED TAXATION (GROUP)

	2019 £	2018 £
Excess capital allowances over depreciation		
Balance brought forward	50,291	65,821
Adjustment to brought forward balance	(3,524)	(12,027)
Origination and reversal of timing differences	(62,703)	(3,503)
Balance carried forward	<u>(15,936)</u>	<u>50,291</u>

Deferred tax asset recognised as corporation tax will be recovered through claiming capital allowances albeit over several years.

It is expected that the deferred tax asset will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

22d DEFERRED TAXATION (COMPANY)

	2019 £	2018 £
Excess capital allowances over depreciation		
Balance brought forward	50,291	65,821
Adjustment to brought forward balance	(3,524)	(12,027)
Origination and reversal of timing differences	(62,388)	(3,503)
Balance carried forward	<u>(15,621)</u>	<u>50,291</u>

22e RECONCILIATION OF TAX CHARGE (GROUP)

	2019 £	2018 £
Profit on ordinary activities before tax	<u>3,180,690</u>	<u>5,138,744</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	604,331	976,361
Corporation tax chargeable on capital gains	15,248	-
Effects of:		
Expenses not deductible for tax purposes and capital allowances - see note 22a	11,148	104,272
Adjustment to tax charge for previous year	(32)	(158)
Tax charge for the year	<u>630,695</u>	<u>1,080,475</u>

23 POST BALANCE SHEET EVENTS

Since the balance sheet date, Motor Parts Direct opened 9 new branches and a further 10 openings are in the pipeline at various locations in the country.

24 RECONCILIATION OF OPERATING PROFIT TO THE NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019 £	2018 £
Group profit for the year	3,180,690	5,138,744
Adjustment to reconcile profit for the year to net cash flows from operating activities:		
Depreciation of tangible fixed assets	2,010,956	1,459,551
Amortisation of intangible fixed assets	-	357,196
Loss on disposal of tangible fixed assets	34,330	41,917
Profit on disposal of tangible fixed assets	(117,404)	-
Other adjustments	(37,378)	20,772
Interest paid	601,481	652,803
Notional interest adjustment	72,070	69,364
Interest received	(165,229)	(158,507)
Changes in working capital:		
Increase in debtors	(650,103)	(4,809,277)
Increase in creditors	1,830,640	3,933,509
Capital reserve arising on conversion of sundry loan to present value	233,516	305,586
Increase in stock	(2,044,328)	(4,194,351)
Taxation		
Corporation tax paid	(544,409)	(1,184,400)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>4,404,832</u>	<u>1,632,907</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

25 CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash at bank and in hand	66,972	305,985
Bank overdraft	(3,810,399)	(2,993,787)
Invoice discounting finance	(4,785,298)	(4,980,618)
CASH AND CASH EQUIVALENTS	<u>(8,528,725)</u>	<u>(7,668,420)</u>